

Canada. Railways, Canals and Telegraph
Lines, Standing Committee, 1956

HOUSE OF COMMONS

Government
Publications

Third Session—Twenty-second Parliament
1956

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND
TELEGRAPH LINES

Chairman: H. B. McCULLOCH, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

BILL No. 212

An Act to amend the Telegraphs Act

THURSDAY, JULY 12, 1956.

FRIDAY, JULY 13, 1956.

WITNESSES:

Mr. Gordon F. Maclaren, Q.C., and Mr. M. E. Corlett, of Ottawa, Counsel for the Commercial Cable Company, New York; Mr. E. A. Martin, Canadian Manager; Mr. Forest L. Henderson, Executive Vice-President, New York; Mr. James A. Kennedy, Vice-President and General Counsel, New York.

Mr. Alastair Macdonald, Q.C., Ottawa, Counsel and Mr. Robert Levett, Assistant General Attorney, Western Union Telegraph Company, New York; Mr. G. E. Nixon, Controller; Mr. W. E. Connelly, Superintendent, Telecommunications' Division, Department of Transport.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
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OTTAWA, 1956

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: H. B. McCulloch, Esq.,
and Messrs.

Barnett	Gagnon	Lavigne
Batten	Garland	Leboe
Bell	Goode	Maltais
Bennett (Miss) (<i>Halton</i>)	Gourd (<i>Chapleau</i>)	McBain
Bonnier	Green	McIvor
Boucher (<i>Châteauguay- Huntingdon-Laprairie</i>)	Habel	Meunier
Buchanan	Hahn	Murphy (<i>Lambton West</i>)
Byrne	Hamilton (<i>York-West</i>)	Murphy (<i>Westmorland</i>)
Campbell	Harrison	Nesbitt
Carrick	Healy	Nicholson
Carter	Herridge	Nixon
Cauchon	Hodgson	Nowlan
Cavers (<i>Vice-Chairman</i>)	Holowach	Purdy
Clark	Hosking	Ross
Decore	Howe (<i>Wellington- Huron</i>)	Small
Deschatelets	James	Viau
Dufresne	Johnston (<i>Bow River</i>)	Villeneuve
Dupuis	Kickham	Vincent
Ellis	Lafontaine	Weselak
Follwell	Langlois (<i>Gaspe</i>)	

Antonio Plouffe,
Clerk of the Committee.

THE HOUSE OF COMMONS OF CANADA

BILL 212

An Act to amend the Telegraphs Act.

R.S. c. 262; 1953-54, c. 22. HER Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

1. The *Telegraphs Act* is amended by adding thereto the following Part:

"PART IV.

EXTERNAL SUBMARINE CABLES.

Interpretation.

"External submarine cable" and "telecommunication" defined.

40. In this Part, the expression "external submarine cable" means a telecommunication service by submarine cable between any place in Canada and any place outside Canada or between places outside Canada through Canada, but does not include any service by a submarine cable wholly under fresh water; and the expression "telecommunication" has the same meaning as it has in the *Radio Act*.

Licences.

Licences required.

41. No person shall in Canada

- (a) operate an external submarine cable; or
- (b) construct, alter, maintain or operate any works or facilities for the purpose of operating an external submarine cable

except under and in accordance with a licence issued under this Part.

Regulations.

Regulations.

42. The Governor in Council may make regulations

- (a) providing for the issue of licences for the purposes of this Part;
- (b) respecting applications for licences and prescribing the information to be furnished by the applicants;
- (c) prescribing the duration, terms and conditions of licences and the fees for the issue thereof;
- (d) providing for the cancellation or suspension of licences for failure to comply with the terms and conditions thereof; and
- (e) generally, for carrying the purposes and provisions of this Part into effect.

Penalties.

Offences.

43. Every person who violates any provision of this Part or the regulations is guilty of an offence and is liable

- (a) on summary conviction, to a fine not exceeding five hundred dollars or to imprisonment for a term not exceeding six months or to both fine and imprisonment; or

(b) on conviction on indictment, to a fine not exceeding five thousand dollars or to imprisonment for a term not exceeding twelve months or to both fine and imprisonment.

Crown
bound.
Existing
services.

44. Her Majesty is bound by this Act.

45. For a period of four months after the day on which this Part comes into force this Part does not apply to any external submarine cable existing on that day."

Coming into
force.

2. This Act shall come into force on a day to be fixed by proclamation of the Governor in Council.

EXPLANATORY NOTE.—The purpose of the proposed new Part is to provide for the control of submarine cables terminating in or passing through Canadian territory.

REPORT TO HOUSE


The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present its

NINTH REPORT

Your Committee has considered Bill No. 212, an Act to amend the Telegraphs Act, and has agreed to report the Bill without amendment.

Respectfully yours,

H. B. McCULLOCH,
Chairman.



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MINUTES OF PROCEEDINGS

THURSDAY, July 12, 1956.

(2)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 10.30 a.m. The Chairman, Mr. H. B. McCulloch, presided.

Members present: Messrs. Barnett, Batten, Bell, Bonnier, Campbell, Carter, Deschatelets, Follwell, Garland, Gourd (*Chapleau*), Green, Habel, Hahn, Hamilton (*York West*), Healy, Herridge, Holowach, Hosking, James, Johnston (*Bow River*), Lafontaine, Langlois (*Gaspe*), Leboe, Nesbitt, Nicholson, Nixon, Purdy and Villeneuve.—(29).

Also present, the Honourable George C. Marler, Minister of Transport.

In attendance: From the Commercial Cable Company: Mr. M. E. Corlett, Counsel, Ottawa; Mr. Gordon F. Maclaren, Q.C., Counsel, Ottawa; Mr. E. A. Martin, Canadian Manager, Montreal; Mr. Forest L. Henderson, Executive Vice-President, New York; Mr. James A. Kennedy, Vice-President and General Counsel, New York.

From the Western Union Telegraph Company: Mr. Alastair Macdonald, Q.C., Ottawa, Counsel for the Company; Mr. Robert Levett, New York, Assistant General Attorney of the Company.

From the Privy Council: Mr. E. F. Gaskell.

From the Department of Transport: Mr. J. R. Baldwin, Deputy Minister; Mr. Gordon Nixon, Controller of Telecommunications; Mr. W. E. Connelly, Superintendent of Telecommunications.

From the Department of Justice: Mr. E. A. Driedger, Assistant Deputy Minister.

Mr. M. E. Corlett was called and further examined.

Messrs. Martin and Henderson were also called and further questioned.

Mr. Corlett having referred to the United States Communications legislation, it was agreed, on motion of Mr. Johnston, seconded by Mr. Nicholson, that relevant sections be read by Mr. James A. Kennedy and incorporated in the Proceedings, namely sections 34, 35 and 36 of the Cable Landing Licence Act (U.S.)

Mr. Langlois, in connection thereto, also read extracts of the United States Communications Act (1934) as amended; and Mr. Kennedy commented thereon.

Witnesses representing the Commercial Cable Company were retired subject to further examination.

As agreed at the first meeting, the Committee proceeded to hear representations on Bill 212, from the Western Union Company.

Mr. Macdonald representing the Commercial Cable Company was called. He introduced Mr. Robert Levett of New York and he tabled copies of a brief which was distributed forthwith. Mr. Levett made prefatory remarks on Bill No. 212.

At 1.00 p.m. o'clock the Committee adjourned until this day at 3.00 o'clock.

AFTERNOON SITTING

(3)

The Committee resumed its deliberations at 3.00 o'clock. The Chairman, Mr. H. B. McCulloch, presided.

Members present: Messrs. Barnett, Batten, Bell, Bonnier, Byrne, Campbell, Carter, Deschatelets, Garland, Gourd (*Chapleau*), Green, Habel, Hahn, Hamilton (*York West*), Harrison, Healy, Herridge, Holowach, Hosking, James, Johnston (*Bow River*), Lafontaine, Langlois (*Gaspé*), Leboe, Nesbitt, Nicholson, Nixon, Purdy and Weselak.—(30).

Also present, the Honourable George C. Marler, Minister of Transport.

In attendance: Same as listed at the morning sitting.

Mr. Macdonald was called and read the Company's brief.

Mr. Levett was then called, made a supplementary statement and was questioned at some length.

The Honourable the Minister of Transport made a statement based on representations made by both the Commercial Cable Company and the Western Union Telegraph Company. The Minister was questioned.

At 5.55 p.m., on motion of Mr. Nixon, seconded by Mr. Lafontaine, the Minister's examination still continuing, the Committee adjourned until 8.00 o'clock this evening.

EVENING SITTING

(4)

The Committee resumed at 8.00 o'clock. The Chairman, Mr. H. B. McCulloch, presided.

Members present: Messrs. Barnett, Batten, Bell, Bonnier, Campbell, Carter, Deschatelets, Gourd (*Chapleau*), Habel, Hamilton (*York West*), Healy, Herridge, Holowach, Hosking, James, Johnston (*Bow River*), Lafontaine, Langlois (*Gaspé*), Leboe, Nesbitt, Nicholson, Nixon, Purdy and Weselak.—(25).

Also present, the Honourable George C. Marler, Minister of Transport.

In attendance: From the Commercial Cable Company and the Western Union Telegraph Company: Same officials as listed at the morning meeting; from the Department of Transport: Messrs. Baldwin, Nixon and Connelly.

The Committee continued its questioning of Mr. Marler.

On motion of Mr. Johnston, it was agreed that a copy of the application for a landing licence from the Commercial Cable Company be filed. (*See Minutes of Proceedings No. 5*).

As agreed, the representatives of the Commercial Cable Company were recalled; thus Messrs. Henderson and Kennedy were further examined.

Mr. Levett, of the Western Union Telegraph Company was also recalled and further examined.

At 10.10 p.m., the general consideration of Bill No. 212 still continuing, the Committee adjourned until Friday, July 13, at 11.30 a.m.

Friday, July 13, 1956.

(5)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11.30 o'clock. Mr. H. B. McCulloch, Chairman, presided.

Members present: Messrs. Barnett, Batten, Bell, Bonnier, Campbell, Carter, Deschatelets, Gourd (*Chapleau*), Habel, Hamilton (*York West*), Herridge, Holowach, Hosking, Johnston (*Bow River*), Lafontaine, Langlois (*Gaspé*), Lavigne, Leboe, Meunier, Nicholson Nixon, Purdy and Weselak. (24)

Also present: The Honourable Minister of Transport.

In attendance: From the Commercial Cable Company: Mr. M. E. Corlett, Counsel, Ottawa; Mr. Gordon F. Maclaren, Q.C., Counsel, Ottawa; Mr. E. A. Martin, Canadian Manager; Mr. Forest L. Henderson, Executive Vice-President, New York; Mr. James A. Kennedy, Vice-President and General Counsel, New York.

From the Western Union Telegraph Company: Mr. Alastair Macdonald, Q.C., Ottawa, Counsel for the Company; Mr. Robert Levett, New York, Assistant General Attorney of the Company.

From the Department of Transport: Messrs. Baldwin, Nixon and Connolly.

From the Privy Council: Mr. E. F. Gaskell.

The Committee resumed its consideration of Bill 212.

Messrs. Levett, Nixon, Maclaren and Macdonald made further supplementary statements and were questioned. The Minister of Transport also made statements in reply and was examined.

As requested at the previous meeting a copy of the coaxial cable landing application of the Commercial Cable Company was filed with the clerk and on motion of Mr. Johnston, it was

Ordered,—That it be printed as an appendix to the proceedings. (*See Appendix I*).

The Committee then proceeded to consider the Bill clause by clause.

On clause 1—new proposed Part IV, new proposed clauses 40 and 41 were adopted.

On clause 42, page 2 line 2, Mr. Hamilton moved, seconded by Mr. Bell, that the words "the Governor in Council" be deleted and the words that "the Board of Transport Commissioners" be substituted therefore; and that the word "orders" be inserted after the word "make".

The question being put on the amendment, it was resolved in the negative; yeas: 4, nays: 19.

New proposed clauses 42, 43, and 45 were adopted.

Mr. Hamilton moved, seconded by Mr. Bell, that the following new clause 46 be added to the new proposed Part IV: *"All the provisions of Part III and those Parts dealing with external submarine cables shall come under the jurisdictions of and be administered by the Board of Transport Commissioners"*.

The question being put on the amendment, it was resolved in the negative. Yeas: 3, nays: 17.

Clause 2 was adopted.

Mr. Hamilton moved, seconded by Mr. Bell, that the following new clause 3 be inserted in the bill: *"This part does not apply in respect of a company which is already operating external submarine cables under the authority of an Act of the Parliament of Canada"*.

The question being put, it was resolved in the negative. Yeas: 2, nays: 17.

Ordered,—That the Chairman report the bill without amendment. On division.

Before adjourning, Messrs. Hamilton and Nicholson made concluding statements.

The Minister of Transport also made comments.

The Chairman expressed to the Minister of Transport and to the representatives of the Commercial Cable Company and the Western Union Telegraph Company the appreciation of the Committee for the information given in the course of the proceedings.

At 12.35 p.m., having concluded its consideration of Bill 212, the Committee adjourned until Monday, July 16, at 11.30 o'clock.

Antonio Plouffe,
Assistant Chief Clerk of Committees

EVIDENCE

THURSDAY, July 12, 1956.

The CHAIRMAN: Gentlemen, order please.

Are there any further questions that you would like to ask Mr. Corlett?

Mr. GREEN: Of whom, Mr. Chairman?

The CHAIRMAN: I beg your pardon?

Mr. GREEN: Questions of whom?

The CHAIRMAN: Mr. Corlett.

Hon. G. C. MARLER (*Minister of Transport*): Or Mr. Henderson.

The CHAIRMAN: Or Mr. Henderson.

Mr. GREEN: I would like to get an explanation of the situation across the Pacific, from one of the officials.

Mr. Murray CORLETT (*Counsel, Commercial Cable Company*): The situation with reference to the location of cables, Mr. Green?

Mr. GREEN: The whole cable situation on the Pacific.

Mr. CORLETT: I think Mr. Martin, the Canadian manager of Commercial Cable Company would be in the best position to answer that question.

**Mr. E. A. Martin, Canadian Manager, Commercial Cable Company, Montreal,
Called:**

The WITNESS: I think I mentioned yesterday, there is the C.O.T.C. cable crossing the Pacific to Australia and Asia. In my opinion, that is the best service out of Vancouver, or the whole of Canada, to that territory.

Prior to the World War II we did have what is known as Commercial Pacific Cable which went from San Francisco, through Hawaii, the Philippines, China, and Japan. Due to enemy action the cable was put out of action, and it is not now in use, except perhaps to Hawaii. We are using radio.

By Mr. Green:

Q. How do you send your messages across the Pacific?—A. By radio.

Mr. CARTER: I have one or two questions I would like to ask. Would you elaborate on this phrase that is used in the brief about relegating Canada to colonial status? I would like to have that explained, what you mean by that. In what way is Canada going to have colonial status in respect to communication?

Mr. CORLETT: Mr. Chairman, in answer to Mr. Carter's question, I think that it is common knowledge that the British, for many years, and certainly from reading reports of the various communications conferences that have taken place, going back to 1937 at least, have favoured a system of international communication to the various commonwealth countries that will be closely controlled by the governments themselves.

Mr. CARTER: Yes, that is the point. Do you really mean by "the governments themselves", that is, all the governments party to the agreement, or by the United Kingdom government?

Mr. CORLETT: By the various governments themselves, and that would include Canada. In the reference that I made yesterday to a statement that the Honourable J. L. Ilsley made in the House of Commons in July, 1945 at a time, if I remember correctly, when he was acting Prime Minister, he was asked a question by the leader of the opposition about the 1945 Commonwealth Communications Conference that was taking place at that time. You will remember, and I think I quoted to you the exact words he used—that it was contemplated that there would be nationalization of external telecommunication facilities of the various commonwealth countries. I think that was borne out by a statement I made yesterday quoted from the British white paper, with reference to Cable Wireless Limited—proposed transfer to public ownership.

Coming down to 1948, when the Commonwealth Telegraphs Agreement was signed, to which Canada was a party, in the recitals of this agreement it is stated—and I would be glad to give this document, or lend it to Mr. Carter, if he so desires; we obtained it from the British government printing office; this is the recital that I quoted—"Whereas at a Commonwealth Telecommunications Conference of representatives of the partner governments held in London in July, 1945 decisions were reached to recommend certain measures for promoting and coordinating the efficiency and development of the telecommunication services of the British Commonwealth and Empire and whereas the partner governments have adopted the recommendations of the said conference and certain of such recommendations have already been carried out including the acquisition by the United Kingdom government of all the shares of Cable and Wireless Limited". I might say, that it is my understanding that prior to that time the British government had a large block of shares of this Cable and Wireless Organization, I believe perhaps the majority, and they decided to take over the balance of the shares.

And the last recital: "And whereas the partner governments are entering into this agreement for the purpose of giving full effect to the said recommendations:".

Mr. CARTER: Yes, but—

Mr. CORLETT: Then, if I may continue. Coming to the operative part, Part I, Article I: "Each partner government—" which would include Canada, "—in whose territory a local company—", and I take it that would mean the Commercial Cable Company, "—is operating external telecommunication services—", which Commercial Cable Company is doing— "—shall purchase all the shares in the local company which it does not already own or otherwise acquire the local company's undertaking to such extent as it has not already done so".

So to stop there, it would seem to me that the government had decided that they were going to nationalize the external telecommunications companies of all the countries that signed this agreement, being the United Kingdom, Canada, Australia, New Zealand, South Africa, India and Southern Rhodesia.

But this next part waters the whole thing down, as I interpret it, because it says: "The partner governments whom clause 1 applies—" and that is the part I have just read, where they say they are going to take over the assets of the local company—: "The partner governments to whom clause 1 applies are set out in the first column of the first schedule hereto, and the companies whose shares or undertaking each such partner government is to acquire are set out in the second column opposite". If you turn to the schedule, you will see, as far as Canada is concerned, the company whose shares or undertaking are to be acquired, is restricted to the Canadian Marconi Company Limited.

Hon. Mr. MARLER: So that does not include Commercial Cable or Western Union?

Mr. CORLETT: No.

So, it would appear to me that somewhere along the line, from the time that Mr. Ilsley made his statement in 1945, until 1948 the governments, for reasons known to themselves decide that perhaps they are not going to nationalize—

Mr. CARTER: I think,—if you will let me interrupt,—I think we can save a lot of time. You are saying a lot of words, but you are not coming along to the question that I want answered. When a person uses the phrase: “colonial status”, to my knowledge, that means a certain thing. That means there is a group of countries, one of which is dominating and exploiting the others for personal gain.

Now, if the United Kingdom, Canada and Australia and New Zealand, and a number of other countries—even if they nationalize—even if they nationalize it and they work out a partnership agreement, I do not see where colonial status comes in, unless one is exploiting the rest. That is the point that I want you to answer and you have not answered it yet in any way, as to where any exploitation would come into the picture.

The WITNESS: May I say something on that, sir?

The point is this: if you have merely the C.O.T.C. operating in and out of Canada you are relegating Canada's position to that of colonial status in the field of telecommunications. Follow through this way: at the moment you have three telecommunication systems operating in and out of Canada, namely the Western Union, Commercial Cable Company's system; and the C.O.T.C. At the moment a Canadian can choose the route most suited to transmit his message, as there are more than one outlet—through Central and South America, and as I mentioned, yesterday wireless on the Pacific. Now, if you eliminate the outlets now operated by Commercial Cable Company and Western Union, and of course, if we cannot put outlets in the future, and our present facilities become obsolete, that is the ultimate end, and what happens then? You have to transmit your communication to Central and South America—or Japan, as the case may be, through London, with the resultant delay, the same as I claim you would have to do under the present system.

By Mr. Carter:

Q. I will stop you there. Does not that apply at the present time in Great Britain too?—A. No, because once that message gets to Great Britain, Great Britain will relay the message on, so—

Q. No, no, but you are talking about messages originating in Canada?—A. Yes.

Q. What about messages originating in Great Britain?—A. They will send them direct to Central or South America. But, if it is from Canada—

Q. Sure, in that particular case. But, supposing they want to send it somewhere else?—A. They will transmit through London. You will have the overload from Canada to London. That would be the only cable.

Q. There must be some places in the world that do not have direct connections with London, surely? If they want to send it to China, or some other place— —A. As I mentioned before, you will have to transmit it around the world.

Q. I cannot see any difference in the system. I cannot see where there is any advantage that Great Britain, or the United Kingdom has under this arrangement that Canada does not have. Each one has certain advantages and each one has certain disadvantages.—A. Under the present company system, that is so. At the moment you can have direct facilities, you do have

facilities for transmitting messages to countries such as Central and South America, in the Pacific, or certain European countries without going through London. But, if you eliminate those outlets, namely those of Commercial Cable Company and Western Union, then you restrict and delay all your communications in and out of Canada.

Q. Suppose that there are no more communications in the world, only the C.O.T.C.'s: That is the only system, everything else is gone.—A. Right.

Q. Now, do the people in Britain, with messages originating in Britain, have any advantage, over-all advantage? They may have an advantage in regard to certain messages to certain places, but is that not also compensated for by the disadvantages? I mean, are the advantages, the total advantages and disadvantages equal to all parties?—A. Under the present conditions the advantages to Canada are these: people doing business in Canada are trading throughout the world shipping grain, and other products and they have ship movements; and air lines are operating. You can transmit your messages directly to someone in these countries without going through London. If you eliminate these outlets you are slowing down communication to the extent that your only outlet for cable communication to these countries is via London.

Q. I can see that you are slowing it down.—A. And all other common-wealth countries must transmit the traffic to London, and they will dispose of the traffic from there on.

Q. You still have not answered my question.

Mr. GREEN: An example of that, I presume, is on the Pacific. If a merchant in Vancouver wants to send a cable to Japan and he had to use the C.O.T.C., that cable would have to go to London, and then from London around the whole world to get to Japan rather than going over a private line direct to Japan

Mr. CARTER: Certainly, but that is a particular instance.

The WITNESS: You see, an example of that is this: our company, for example, operates cables in various directions. We operate our own offices in some 140 cities throughout the world. The C.O.T.C., to my knowledge, does not own any trans-Atlantic cable. It does not operate any office outside of Canada. Therefore they must transmit their traffic to London, and then the British post office takes over.

If you were to go into an office in Europe as I have done, and as I am sure some of you have, and you would ask them to transmit this message via C.O.T.C., they will not know what you are talking about. They will say, "We will send it to the British post office, going to Canada, and they send it to Canada".

You might say you want to trade with Central and South America; at the moment you can transmit your message, you can complete sales there today. But, if you eliminate these outlets, you tell those clients, "We want to communicate with you; we want to do business with you, but if you want to communicate with us send the message to London first, and they will relay it to Canada". That gives, to my feeling, colonial status in Canada in the field of telecommunications.

By Mr. Barnett:

Q. May I ask a question at this point? Supposing I wanted to send a cable to South America, how is that going to go?—A. It will go on a cable through Central and South America.

Q. Direct from where—Halifax?—A. Montreal. It might go Montreal, or St. John's. It can go Montreal, New York, or from Rio de Janeiro, or some of those places.

Q. Is that not the same situation; if I have to send a cable through New York, would it not be just as fair to say that that would be putting Canada in the position of colonial status?—A. Certainly not. Because you choose the route that you prefer. If you like that route—I might say this, in all sincerity, that all people in Canada who are doing business outside of Canada, whether they are operating planes or ships, shipping grain, or lumber, they have certain brief hours during which they can trade. That is because of the difference in time between Canada and foreign countries. Let me give you an example of that: when you open your office in Montreal or Toronto at 9 o'clock, it is already 2 o'clock in London. In Winnipeg: when the Winnipeg Grain Exchange opens it is already 3 o'clock, or 4 o'clock in London. When Vancouver opens its offices it is 6 o'clock in London. You have perhaps half an hour, or an hour and a half in which to trade. You are going to use the method most suited for your purposes. If you are exchanging messages and dealing with those various countries in the world you will very quickly make a survey as to what route is best suited for your needs.

By Mr. Carter:

Q. You see, what you are saying, Mr. Martin, is that some lines give a quicker service than the C.O.T.C.; that is what you are saying.—A. And vice versa.

Q. But I am not asking that question. I am asking, what advantage—in this agreement, what advantage does the British post office, or the United Kingdom department have? They are all partners in this C.O.T.C.?—A. Right.

Q. What advantages does one partner have over all the others?—A. I will say this: Cable and Wireless of London own a cable system of some 150,000 miles. The C.O.T.C. owns no cable, to my knowledge. I can be corrected on that. So, in order to reach these countries you must send your message to London, if you eliminate the Western Union and the Commercial Cable Company routes.

By Hon. Mr. Marler:

Q. Mr. Martin, you have been eliminating both of these companies with great ease, but so far I have seen nothing that justifies that assumption.—A. May I say this, sir: at the moment we are limited as to our facilities within Canada, and I think we have shown that. I might say here, that our volume of traffic since 1939 has tripled. In those days we were handling in Canada something like 200,000 messages per year. This year it will be close to 600,000; yet we have not been able to increase our capacity. And in addition to which you have a demand today for much faster service: for example, in the operation of an air line. We did not have that some 20 years ago.

May I just take a moment here, if you do not mind me taking the time in regard to air lines. Let us say we have an air line system operating in and out of Canada. Let us say that air line has a flight from Vancouver, through Hawaii, Hong Kong, Japan—it is most important, and I am sure you will all agree, that they have fast communication to all those points to ensure safe contact with the plane. If the message goes out from Vancouver and has to go to Hawaii, the communications officer of the public air lines will know and he will have made a study of communications and he will say the first stop is Hawaii. He will say, "I am going to use the Commercial Cable system, it is the fastest". The next flight to the next place is Australia, and he will say, "My goodness, my facility is the Pacific Cable to Australia", which is correct—C.O.T.C. The plane then goes into Japan, and he might say, "If I am going to send my message through Canada, coast to coast and then to London, and around to Japan there will be a delay.

Q. Mr. Martin, you are just rubbing out Western Union and the Commercial Cable Company, whereas I can see nothing to justify that assumption.—A. May I continue, sir, I am sorry.

Q. Please do. I am sorry I interrupted you, but I think we should not forget that this is all very hypothetical.—A. As I said before, our traffic has tripled, the volume of traffic has tripled. The demand has now increased from 200,000 to 600,000 messages, and the type of traffic today is of an urgent nature because of, as I say, the changing of events. You have air line services operating today, which you did not have 20 years ago. You also have this business of the difference of time between Canada and the foreign countries. Everyone wants to file at the same time. I am sure all the companies will agree that on the opening of the market in Montreal and Toronto, the Winnipeg Grain Exchange, Vancouver business, the plane departures—everyone wants to get there at the same time. You have to operate in an hour, perhaps an hour and a half, or perhaps two hours, when all your circuits are overloaded.

True, at night your services are idle, but you must have the additional facilities during these two or three hours when the banks want to arrange for foreign exchange at the opening of the market, and that sort of thing, and it must have the information within an hour, and they must have the reply, perhaps within 15 minutes. But, you cannot handle 600,000 messages today as compared with 200,000 messages in 1939 with the same facilities, and in addition to which they require more direct services.

You have someone in Winnipeg today, and he cannot get through direct to London. I do not say we would have a direct circuit ourselves, but if we had an additional circuit there that goes to London, we could provide Winnipeg with a direct through circuit to London. We would provide the international section and the C.P.R. would provide the domestic services. The same applies to Vancouver.

By Mr. Hosking:

Q. You have suggested that this line goes to London?—A. That is correct, in this particular case.

Q. Were you not just adding to our colonial status now?—A. No, not at all, because we have alternate routes. If the circuits were overloaded, for example Rotterdam—we own a cable—you take Rotterdam, we operate our own cable to Paris.

Q. Were you not saying that a message that went through London gave us our colonial status? Is not this plan you are suggesting going to give us colonial status?—A. No, I am sorry, you misunderstood what I was saying. If you eliminate the outlet for all Canadian traffic through the British post office you are—but I am not saying we are limited to that; I am just giving this exchange of traffic from London.

Q. What does C.O.T.C. do now that is in competition with you?—A. It is very good competition. First I want to say that, that the competition we get from the C.O.T.C. and Western Union is very good, and it has been good.

Q. Would you explain how it is competition if they do not own any lines?—A. They transmit their traffic through the cable head, and they operate a cable head; but beyond that they do not own a cable. They participate. It is British-owned.

Q. British-owned?—A. But we own cables, as well as the trans-Atlantic, all through Central and South America. We have our own office in Paris. You can give us a message in Quebec city and we will send it to Paris. It is our own office that handles it. If you send a message to Rotterdam, it is the same thing.

If you send a message to Rotterdam, Brussels or Antwerp, it is our own offices, whereas in the other cases—I am not—please do not misunderstand me, I am not trying to run down the services. As I said before, in some respects their services are better than ours.

Q. How are they in competition with you if they do not own lines? What damage do they do to you?—A. We are not concerned with the damage they do to us, we are not trying to stop competition.

Q. You said that they made an abortive attempt to put you out of business?—A. Well, of course—

Q. How was this abortive attempt made to put you out of business?—A. In Newfoundland,—that part was covered yesterday.

Q. No, but how did it happen, I would like to know? You never explained how this abortive attempt was made to put you out of business. If they do not own lines, how was it made?—A. We received notice, and I think you have a copy of that.

I was just wondering, if before answering that, I could finish my answer to the minister regarding the question as to how it would happen that there would be this monopoly, and Commercial Cable perhaps be put out of business. As I said, unless we are in a position, as I explained here, and we have this volume of traffic, and we have the demand for more facilities as I explained before, we have this volume of traffic, and we have the demand for more facilities, and unless we are able to give the services that C.O.T.C., as you know, will be able to give, with these additional facilities, the one and one-half voice channels, and this new coaxial cable—there may be a small percentage of facilities, but they will have more facilities than we have. So, therefore, we will have to tell the Canadian client that we are not in a position to provide them with the services, because our facilities are not adequate, and it will force him to go to the C.O.T.C. That is the point. That is the ultimate end, unless we can improve our facilities and replace the old and obsolete facilities, we will not be in a position to give the service that the Canadians are entitled to.

By Mr. Langlois (Gaspé):

Q. Mr. Martin, is it not a fact that the C.O.T.C. operates direct services by radio to France and Germany?—A. That is right, sir, but we are not in the radio business.

Q. The C.O.T.C. operates a direct radio service to France and Germany?—A. Yes, but we have cable service to France. We can use radio to Paris on the overflow. But, once it gets into Paris it is not handled by the C.O.T.C. To my knowledge the C.O.T.C. have no office in Paris. It has got to be turned over to someone else to be delivered and handled there. I might be wrong in that. Perhaps Mr. Connelly could answer that. You have no office in France?

Mr. W. E. CONNELLY (*Superintendent of Radio, Department of Transport*): That is right. The message is turned over to the French administration for delivery.

The WITNESS: And now, in our case we have our own office. We transmit the message to our Paris office, and it goes by cable. I might say, you have that wireless circuit, and I am glad you have. It gives better service to Canada. But I would hasten to say that if you were to eliminate the cable service to France via commercial, or the wireless overload, and eliminate the possibility of Canadians using the service to Paris, I think it would be determined to Canada.

By Mr. Carter:

Q. When did your facilities start to become obsolete?—A. Yes.

Q. When?—A. In 1884 we laid our first two cables.

Q. And in 1923 you laid the last one?—A. Yes. One of the two cables laid in 1884 is now obsolete and is not in use.

Q. Not in use at all?—A. Not in use at all.

Q. You have less channels now than you had when that one was working? —A. Not necessarily so, because we were able, as a result of the undersea repeaters to get—correct me if I am wrong—to get one additional duplex channel. That old cable, I think we had two channels. So, we have not lost in the over-all.

Q. Who were your competitors before C.O.T.C. came into the picture? —A. We had the Western Union and the Anglo-American, who operate together, and we had the Canadian Marconi Company and we had Cable and Wireless.

Q. Yes. Now— —A. Today Marconi and Cable and Wireless are the ones that are taking over in Canada.

Q. I understand Canadian Marconi went bankrupt, they went out of business, is that right?—A. No. I am sorry. Perhaps the minister could answer that.

Hon. Mr. MARLER: Their assets were acquired by C.O.T.C.

Mr. CARTER: They were acquired?

Hon. Mr. MARLER: Yes.

Mr. CARTER: Were they not confiscated—what is the word?

Hon. Mr. MARLER: Expropriated.

Mr. CARTER: Expropriated?

Hon. Mr. MARLER: I cannot tell whether it was expropriation, or an acquisition by mutual agreement; but they were acquired. Mr. Langlois says by negotiation.

Mr. CARTER: They were not available to anybody else? When they went out of business, it was not available for any other company who wanted to acquire it?

Hon. Mr. MARLER: I think perhaps we could reasonably say we expected that they would be acquired by C.O.T.C.

Mr. CARTER: Yes, but supposing the Commercial Cable Company wanted to buy them out, would it have been possible for them to do so?

Hon. Mr. MARLER: There is no law against their making an offer, but I think it is unlikely that it would have been accepted.

By Mr. Bell:

Q. Mr. Martin, I wonder if it would be fair to say, in answer to Mr. Carter's question with respect to London, that London is the centre of the world in international business, and they have better facilities there, and any monopoly condition that might exist here, or elsewhere in the future would greatly increase our disadvantage and disparity in that way?—A. Yes, if as I said before, if you are going to eliminate all other outlets provided now by the Commercial Cable Company and your Western Union—I am not saying this has been done, but that would be the ultimate result if we are not able or are not permitted to replace obsolete equipment and put in new facilities to take care of the additional demand made upon us by the Canadian public.

By Mr. Langlois (Gaspé):

Q. However, since you are landing new cables on the Pacific coast, this one fact in your service to Japan, that you gave us an example of, being the more rapid service— —A. Let me put it this way, sir. It is true that we could stay in business in Canada to handle that very small percentage of traffic only, but it would be economically unsound for the company to remain in Canada just to take care of the traffic that the C.O.T.C. cannot handle, or because it is overloaded, or because its cable is interrupted. It would be economically unsound to retain our offices at St. John's and Canso.

Q. I am speaking of the Pacific coast.—A. Yes, the Pacific. But, I am quite sure if you know the volume, which is quite small at the moment, it would certainly not warrant the company maintaining offices in Canada, and facilities for the purpose of handling that small percentage of the traffic.

Q. Even if you are providing more rapid service than the C.O.T.C. can provide?—A. Yes. I mean that the company could not stay in business just to handle peanuts in the communication field, that is, one-tenth of one per cent of our over-all Canadian volume.

By Mr. Campbell:

Q. Was your application in 1945 made for a coaxial cable?

Hon. Mr. MARLER: It was 1954.

The WITNESS: Yes, it was 1954.

By Mr. Campbell:

Q. Why had you not extended your cables from 1923 up to that time?—A. Between 1923 and 1939 there was very little change in the over-all volume. The great increase and the big demand made upon us came about since the end of the war; that is when the company started to make plans for the laying of a new cable and for the financing of landings and so forth.

I have a letter here dated April 1, which is attached to the agreement. That is the letter we referred to.

Mr. MACLAREN: And it is dated the 1st of April the day after confederation.

The WITNESS: Yes.

By Mr. Hosking:

Q. That does not close up any of the land-lines you had in operation?—A. I know that this was referred to our legal adviser at the time and he said that while it was true that we were no longer able to operate under the Newfoundland agreement, we could then handle our traffic under our Canadian charter, which we are doing. We had quite a discussion with the department about it at that time.

Mr. LANGLOIS (Gaspé): I wonder if the witness would mind addressing the chair?

By Mr. Hahn:

Q. How many outlets have you in Canada?—A. Twenty-four.

Q. How many actual lines are there on the coaxial cable?—A. About 120 for use between the United States and Europe.

Q. What would you estimate could be the present need for Canada on the Atlantic coast?—A. We planned that with this we were going to provide a direct service from Vancouver, but I hope you will not misunderstand me and think that we are going to provide the service ourselves direct to London,

Paris or Rotterdam. The land-line operation between Vancouver and the cable head would be provided by Canadian Pacific Telegraphs in this particular case, but we would follow through.

People on the west coast do not know why it is necessary to route traffic through Montreal. But we are prepared, if we have this additional facility, to give them direct service from Vancouver, which would put them in the communication field exactly in the same position with people from Montreal. We have the same requests from Winnipeg and Toronto.

In addition we have had a demand by five organizations in Canada for leased circuits; in addition, the demand is also increasing for telex services, customer to customer, on a three-minute basis. You might say that perhaps ten or twelve channels would serve the purpose.

If you look at the over-all picture that may be so, but you must realize that because of the difference in time between Canada and foreign countries you must provide these facilities within a few hours each day. If you have not got those facilities available then somebody is going to be held up, somebody who is trying to get a grain order and who has perhaps only two hours in which to trade, and if he cannot get his message through rather quickly and have a reply, he may lose out in the business.

Q. So the minimum need for Canada would be only twelve channels while you are requesting twenty-four?—A. Yes, in order to take care of the overloading on the telex side; but they would not be in use for all twenty-four hours of the day. At night you might have only one circuit in use.

Q. How many outlets has C.O.T.C. at the present time?—A. It might be more accurate to ask C.O.T.C. to answer that question, but in the new trans-Atlantic telephone cable there will be one and one-half voice channels assigned to C.O.T.C. for telegraph purposes.

Hon. Mr. MARLER: It is just one-half.

The WITNESS: Oh! There will be one-half of a voice channel assigned for telegraph use. In my opinion the D.O.T. would be a better expert in this matter, but I would say that you would get about twelve circuits out of it, and in addition you would also have the wireless service. We have wireless service direct from Canada so that with these twelve, plus what they have today, plus their beams and their radio, they would have in the vicinity of twenty-four or more; and if that one-half voice channel should prove to be insufficient in the future, there is nothing to stop them from converting one of the radio telephone channels to telegraph use.

By Mr. Johnston (Bow River):

Q. But you would not be able to do that?—A. No. If we have twenty-four channels to Canada, that is all; the rest would be mainly telegraph cable. The A.T.T. cable is primarily a telephone cable, and the only exception is the one-half voice channel assigned for telegraph use between Canada and the United Kingdom. Of the other channels—I am not sure of the number now—but I think there are six and one-half telephone channels assigned to Canada.

Hon. Mr. MARLER: Making a total of 36.

The WITNESS: That is right, 36.

By Mr. Hahn:

Q. What do you anticipate to be the need for the future? Your statisticians must have figured out what the over-all needs would be in ten years?—A. We might have to lay a new cable.

Q. Another new cable?—A. I would say so, because I would doubt if it would be possible for us, if we have 120 channels with 24 assigned to Canada

and 96 assigned to the United States—if our volume increased, that they would be willing to give up their 96; so that if those facilities are inadequate, we would have to lay a new cable.

I would say from my experience that for the foreseeable future 24 circuits would be adequate, but you never know what developments will come about. However, based on general growth, I would say that for the foreseeable future 24 channels would definitely serve the purpose.

Q. With respect to messages transmitted, at the present time your line is working to capacity?—A. That is right.

Q. And how many would you anticipate? You have only a two hour basis from Vancouver to London; how many messages do you anticipate would be handled if you got permission to have your outlets in Canada?—A. Just here may I say that the facilities for 600,000 messages are not adequate and some of them must be rerouted via the United States in order to take up the overload.

As to the volume from Vancouver, if my memory serves me correctly, it would be approximately 5,000 messages per month, or roughly, 60,000 per year. We have the same increase in Alberta, where there has been a tremendous increase because of the oil development there and other things.

Q. You are presently rerouting some of your messages. How many are being re-routed out of the 600,000 you carry?—A. For example, we have a cable into Italy which goes from Newfoundland. If our Canadian traffic became overloaded, we could get that traffic into New York and they would transmit it over the same cable but over different channels in that cable to Italy; and the same thing with respect to France. If we have enough facilities ourselves, however, that would not be necessary.

Q. How many messages per year would be re-routed?—A. We re-route daily approximately—excuse me—I would say roughly from 2,000 to 3,000 messages a week, or about 600 a day, roughly, on a five day week basis.

Q. That is like going from London to Canada?—A. No; that would be from Canada abroad; there maybe some traffic going to Italy, France, Germany, Holland and Belgium for example.

Q. And what would be the difference in timing?—A. That is where we have our main problem. There is a difference in time between here and the United Kingdom of five hours, and with Belgium it is six hours. For example, when the market opens in Montreal or Toronto at nine or ten o'clock, it will be three o'clock over there; and the moment the Winnipeg Grain Exchange opens we are flooded with traffic trying to get through; and unless they can get the necessary messages back and forth quickly, it is hopeless for them to try to compete with the Chicago Grain Exchange which does have adequate facilities. It is unfair to say to the Winnipeg Grain Exchange that you cannot have these facilities because we cannot provide them because if the government says to us "No, you can provide them but we will not let you use them" then we are putting the Winnipeg people at a disadvantage vis a vis the Chicago people.

Q. Is it possible to replace the present cables which you have on an economical basis with a coaxial cable, and use the present outlets that you have, with your plan of running into the United States?—A. No, it would not. If you wanted to provide 24 channels in Canada with the old type of cable, you would probably have to lay five or six if not more, and the cost of laying the old type of cable would be just about as much as if you put in a coaxial cable when you would achieve the same purpose, but the company would be put in a position where if they wanted to provide facilities on the old type of basis, they would have to spend five or six times as much. You are going to get the same facilities, but it would cost you from \$200 million to \$250 million to do it instead of \$25 million.

Q. If your application were granted for these outlets in Canada, would you be able to reduce your rates?—A. I would not be prepared to say that, no, because if your rate is twice as much as that of another carrier, people will not lower than ours we would not be in business. It would mean a tremendous increase in your operating cost because your equipment costs more, your salaries are higher, and your taxes are higher. The more traffic you handle, the more expenses you have, so I doubt if it would result in a decrease in rates.

Q. If you had to replace the other cable, using the same kind of cable you have there now, would the costs of sending messages increase?—A. They would certainly have to increase; but if the other companies have the facilities by laying one cable, then we are not in a position to compete with them, because if your rate is twice as much as that of another carrier, people will not use your service except in very rare instances, unless your services are so much better in a certain direction that they will use them even though they have to pay an additional cost, but that would be a very small percentage indeed.

Q. If this application is not granted, it will mean that in effect, as your other line deteriorates and falls into disuse, you will not be in a position to replace it?—A. That is right; we will not be in a position to meet the demands of the C.O.T.C. for the services we are now giving and for which there is an increasing demand.

By Mr. Hosking:

Q. In the first 21 years of your operation you put in five cables—A. Yes.

Q. Evidently there was quite an extension of calls back and forth around 1900?

Hon. Mr. MARLER: I think you should not forget that these cables are not solely between Canada and the United Kingdom; they are cables between the United States and the United Kingdom landed in Canada as an intermediate point. It is not solely Canada-United Kingdom business we are talking about. We are talking about United States, Canada, United Kingdom communications and world wide communications, not just purely the Canadian position.

Mr. HOSKING: It is not for Canada alone, it is for the continent?

Hon. Mr. MARLER: That is correct.

The WITNESS: Yes, that is correct.

By Mr. Hosking:

Q. If in those 21 years you put down five cables and in the next 18 years you put down one cable, when did that one cable go out of operation?—A. You mean the one laid in 1884?

Q. Yes.—A. Four or five years ago.

Mr HENDERSON: It went out of operation during the war.

By Mr. Hosking:

Q. Is that the reason they have C.O.T.C. because you were not giving an adequate service in the last 33 years?—A. No, because you also had Marconi and Cable and Wireless. Therefore C.O.T.C. is not in addition to them, it is in place of them. We had competition then as we have it now.

Q. In 1929 you spoke of the Winnipeg Grain Exchange, and that was possibly its busiest time. With the terrific business done in 1929, how were you able to handle all the required traffic with these services without putting in an extra cable to take care of it?—A. There was no demand for direct facilities from Winnipeg in 1921. They were quite satisfied with the method at that time. But since then there have been new developments in the field of communication. You have telex from the United States today and you have the R.C.A. telex service, and that affects Canada.

For example, a very large firm in Vancouver asked us for similar facilities. They said: "We cannot compete with those people in Seattle unless we have the same facilities". We said to them that we were working on it. What did they do then? They leased a land line service between Vancouver and Seattle.

The point I am making is about the competition between countries. A large firm in Vancouver asked us if we could not provide them with more traffic facilities in the handling of their traffic because they were in a highly competitive business, and they had to get their exchange of traffic with their overseas correspondents made very quickly. Unfortunately, we were not able to do it but we said that we had plans which eventually would allow us to provide them with that service. They said: "Since you are unable to do it, then we have no alternative". And instead of using the facilities in Canada they leased a land line service from Vancouver into Seattle made use of the facilities of the C.C.A. which is not in business in Canada, which has no charter in Canada or outlets in Canada; but nevertheless Canadian traffic is moving from this firm in Vancouver to Seattle to be put on the R.C.A. telex there. That is an example of the lack of facilities.

By Mr. Green:

Q. Are you free to indicate what firm it is, or what type of business?—A. I do not think it would be fair to tell you unless I first consulted with the firm. I think to do so would be wrong.

By Mr. Johnston (Bow River):

Q. You say with respect to your surplus business that because you only have 12 outlets here you have to send it to New York to be transmitted?—A. That is correct.

Q. How different would your position be to that of C.O.T.C., where they have to send their messages through London to be transmitted? Would you not be in exactly the same position?—A. Certainly.

Q. What advantage would C.O.T.C. have over your company then, if you were both in the same position?—A. If we route via the United States, that requires a relay, with the result that the Canadian public by such routing is not getting the service to which it is entitled. So what we have in mind is this: that communications originating in Canada could, as far as possible, be handled in Canada to the coast over Canadian lines, and that operation should be done by Canadian operators, with offices manned by Canadians, and with charges made by Canadians without any payment because if you route your traffic through the United States, you must give up part of your tolls in transit. So our feeling is that if Canada is to have the telecommunication facilities that it requires, and it has international dealings in trade and for movements generally speaking, then it should have and it deserves to have the best possible facilities that we can make available for it—that is for traffic facilities from Canada.

Q. And you think with these other 12 channels you would be able to give that service?—A. We do.

By Mr. Hosking:

Q. If this coaxial cable is built, what percentage of those lines between Canada and Great Britain—not Canadian lines but North American Continental Lines—what percentage would be Canadian?—A. To the extent that 24 channels out of 120 would be assigned for Canadian traffic, it means that on a ratio you would have 94 channels for use for traffic in transit through the United States and 24 channels out of 120, so that for the handling of Canadian terminal traffic—

Q. That would be one-fifth approximately of the coaxial cable?—A. That is right.

Q. And the Canadian government has no way of setting the rate which you charge for that?—A. I realize that is an important point, and I do not want it to be misunderstood. The position has been made quite clear to me quite recently by the Department of Transport people, and they are probably right. They are the people who administer the department and they are probably right. But we must have been under a misunderstanding because I have been in the communication service in Canada for over a quarter of a century and I have dealt with rates, operations, transmission, accounting, and everything; and to my knowledge never at any time have we altered any rate—that is, out of Canada—without first referring the matter to the Department of Transport.

Q. There is a difference between referring it to them and asking them for their permission.—A. There has been very little change made in the rate structure.

Q. You are saving 20 per cent or one-fifth of the capacity of this cable for Canada?—A. I am asking for it.

Q. Well, if it comes in, Canada will have available for itself one-fifth of the capacity of the cable?—A. That is right.

Q. And if you maintain your business, this is the actual surplus we have available for the Canadian people?—A. Certainly. I would not consider that Canadian traffic was still considered to be overloaded.

By Mr. Langlois:

Q. In this respect, what percentage of your business is done in Canada as compared to the business you do in the United States?—A. I could get it for you, but it would be difficult to break down, because you could have traffic from South America going to Paris, and that traffic might well go over one of our cables from South America into New York and be transmitted over that same cable that transmits to Canada. Therefore, if I should give you the over-all volume, it would include traffic from South America as well as traffic from the United States. But we have a breakdown of our own traffic.

Q. Could you give approximately the communications which either originate in the United States or which terminate in the United States?—A. I could get that for you. If I gave it to you now it would be purely a guess.

By Mr. Hosking:

Q. This looks to me like the situation we run into in connection with the dress business in its competition between Canada and the United States.—A. Our Canadian traffic is, roughly, 60 per cent; no, it is 20 per cent of the over-all volume of traffic handled over the trans-Atlantic system.

Q. As I said, this situation looks to me like the dress situation. In the United States they make dresses, and their season is considerably ahead of ours, maybe a week or two; and they put those dresses on sale in the United States at their real cost price.—A. Yes.

Q. And anything they have left over—because our season is later than theirs—they bring them up here and dump them here, and they say they offered them for sale in the United States at a certain price, but we are getting the back-end of this thing with one-fifth of those outlets coming to Canada, while four-fifths of them are going to the United States?—A. That is right.

Q. So you are put in a very inferior competitive position as between any one dealing with Canada and the United States, and there is no way we can cut the rates.—A. Let me say right now that it has not been our intention at any time to start a rate war.

Q. You admit that you have no control?—A. No, I do not admit it. I am sure the minister is well aware of the legal wording of the Telegraph Act and I would not question his decision; but from the time I started at Quebec City in the telegraph business 27 years ago, and to this date, in the 27 years in which I have been in the business, we have never at any time altered any rate without reference to the Department of Transport.

About five years ago the whole rate structure was altered in Canada. At that time the Department of Transport called a meeting of representatives of the companies at Ottawa to look over this rate structure. We made a few suggestions for changes. Some were refused and some were accepted, and by whom? By the Department of Transport; and that last tariff was arrived at a meeting which was chaired by the Department of Transport, and at which all the carriers were represented. I represented Commercial Cable Company at that meeting. We had made certain suggestions for alterations in the tariff. Some of them were turned down while others were accepted unanimously.

We realize that we could apply for a two cents per pound increase, but if the other carriers did not do it too, we would not be competitive. The fact remain that in this last tariff the only important changes made were arrived at and set up at a meeting chaired by the Department of Transport at which all the carrier companies were represented.

In our opinion, that gives us—and believe me I might be wrong in this—but it gives us the idea that the Department of Transport had approved this tariff.

By Mr. Langlois:

Q. You said that the decision was unanimous.—A. Finally they were, but we, on behalf of Commercial Cable Company made certain changes.

In the communication field you have outlets at terminals, and pay-out in transit. In some cases C.O.T.C., if its route is around the world, may have more pay-outs. You may have to pay out four transit rates in a transmission; but it would be unfair to the Commercial Cable Company to say to the C.O.T.C. "We do not agree to your rate, let us say, to Rio de Janiero". We have five or six lines there but we cannot operate at a five cents rate because we have to make pay-out through London, and they say "That is fine".

By Mr. Johnston (Bow River):

Q. What is the position regarding rates as between you, in the present situation, and your competitor, C.O.T.C.?—A. We could apply for a new rate, ourselves, but we would not do so until we had conferred with the other companies concerned. As I said before, your rates must be competitive, they must be the same, otherwise it is practically impossible for a company or an organization which has a communication requirement, if you have to refer to the tariff each time and say "What is this going to cost us?" Therefore, there has to be a uniform tariff.

By Mr. Hosking:

Q. What would the tariff be, let us say, from New York to London as compared with the tariff on the same message from London to Halifax?—A. About four cents a word higher.

Q. From New York?—A. That is right.

Q. Why?—A. Because the rate is higher, and it is based on a decision accepted by the Federal Communications Commission, that all tariff applications would be made to the Federal Communications Commission either to

increase your rate or to reduce them. And they will give the reason therefore. The fact that the rate is higher may be that the cost of equipment is higher at the terminal end. It may be that the salaries they have to pay operators may be higher. I am just giving that as an example.

Q. It may also be that on four-fifths of your business you get four more cents per words, is that correct?—A. I beg your pardon?

Q. For four-fifths of your business over these cables you get four cents more per word?—A. That is correct.

Q. Therefore, if you are competing with Canadian companies carrying messages from Canada into Great Britain you could have a much cheaper rate in Canada and give them particularly unfair competition due to the large volume at a high price that you have from the United States?—A. As I said before, we have never done that. It is not our intention to start a rate war, and it is not our intention to cut rates; and we are quite prepared to give that understanding.

Q. You have an agreement whereby you can charge 25 cents a word. That was a long time ago. It is much below that now?—A. Yes.

Q. We cannot stop you from raising the rate. We have no control unless you raise the rate above this 25 cents per word, but below that you are free to do as you wish?—A. We are prepared to give that understanding, not to alter any rates whatsoever without reference to the appropriate government department.

Q. "Without reference" is different from "without permission".—A. Without permission, provided that the same applies for all other carriers operating in Canada.

By Mr. Green:

Q. Would the C.O.T.C.'s rate from New York to London be the same as your rate?—A. That is correct. That is, the R.C.A. is on par with the B.P.O. The rates are exactly the same.

By Mr. Hamilton (York West):

Q. Would they have the same proportion of volume of business out of New York?—A. Actually in the case of R.C.A., they have no facilities from Canada except to the extent that they do have an interconnecting circuit with the C.O.T.C. between Montreal and New York, I believe it is.

By Mr. Barnett:

Q. Mr. Chairman, I wonder if I could ask one or two questions relating directly to the objection, you make to the passage of Bill 212. Now, as I read the bill, there is certainly no reference in that bill to the Commercial Cable Company?—A. That is correct.

Q. I believe that one of your spokesmen yesterday said that you had no objection to the licensing principles, as such, which were set forth in the bill?—A. Right.

Q. Now, as far as I can see in the brief you have submitted, the only direct documentary evidence that Bill 212 as is presently provided, might work to your disadvantage, is in this letter, which you submitted as Exhibit "D" from the Minister of Transport, dated February 9, 1955. I would like to ask one or two questions relating to the contents of that letter.—A. Yes, sir.

Q. Now, in the letter the minister says, "The government is prepared, subject to compliance by the company with all statutory requirements, to grant authority for the landing of the proposed cable,—". Now, in previous discussion it had been brought out that of the 120 circuits in that cable, 96 are to be for use for the United States business, and 24 for Canada. Now, I

would like to ask, is the financial feasibility of the laying of this new cable contingent upon whether or not you get the 24 outlets, or permission for the 24 outlets into Canada?—A. As far as I am concerned, yes. I am mainly concerned with managing the Canadian affairs for the company, and I also provide the service that is required of us by Canadians.

Q. What about the views of the representatives from the New York end of the business?

Mr. HENDERSON: Mr. Chairman, that is the view of the company.

By Mr. Barnett:

Q. Then, if I might pursue that question in relation to the letter, it is set forth below that there are certain conditions under which apparently the minister would be willing to agree that you have a free hand in Canadian trade, or that outlets would be available to you in Canada, and it mentions defence. And then subsection 2: "Commercial purposes in respect of circuits leased to Canadian Overseas Telecommunication Corporation."—A. Yes.

Q. Now, what I would like to know is: have you had any discussions with C.O.T.C. in respect to whether or not they are prepared to leave those circuits which you propose to have available for Canadian use?—A. I would not say officially, no. But, I have had some unofficial talks, and the impression I got was that the facilities that will be made available to C.O.T.C. out of the new A.T.T.-B.O.P.-C.O.T.C. cable will be quite adequate to serve their needs for the foreseeable future. So, if we went ahead and built the cable on the possibility that they may, at some future date, require some of those facilities, it would be, and I am quite sure you would agree, uneconomical. Because, as I said, they have no requirement now. If we had a cable available tomorrow they probably would not have any use for any of those facilities. They may at some time in the future.

There is also this to remember, that occasionally your cables go out of commission. It may be due to mechanical failure; it may be due to a freak accident. I can give you a case: we recently had one of our cables in Newfoundland uprooted because of a bulldozer. So, a cable is out of commission; the same thing can apply to C.O.T.C., and the same applies to Western Union, and you have no alternate routes in such a case. I might say, we had a very pleasant arrangement in Canada with the C.O.T.C. whereby they will transfer to us if we are in trouble, and we will do the same. But if you eliminate all facilities except the one route, namely the C.O.T.C., when that route is interrupted you have no facilities, and you have no alternate route except, perhaps, the Wireless. There again, the Wireless is not secure; and is also subject to atmospheric disturbances which might put the circuit out of commission for many hours.

Q. Would not the fact, that you have just mentioned, in regard to the need for alternate routes make it likely that C.O.T.C. would be willing to enter into some arrangements?—A. They may, as I say, under those circumstances. But, it will be uneconomical for us to build a cable to provide facilities for the C.O.T.C. to be used only, if, and when their own facilities are interrupted. There may be months go by without it happening at all. So, I mean, it would not economically be sound in a business way to build a cable to provide alternate facilities for a competitive company in the event its facilities are interrupted.

Q. Coming back to my first question in relation to the feasibility of the cable, would you be prepared to submit any material in respect to the economics involved?—A. I could give you the answer to the original thing, sir.

Q. It appears to me that the percentage of Canadian business that you anticipate in respect to the cable is a relatively minor one?—A. Oh, it is now. But it is very important to us.

Q. And it is a little difficult to understand why the question as to whether or not the few Canadian circuits are available to you, should be the determining one in respect to the laying of the coaxial cable when, as I read the minister's letter, apparently there is no substantial objection to your using Canadian territory as a landing point for that cable.—A. That is true. But, there is no point in laying a cable unless you can use it. If you have no outlets it is not of any use. As you say, perhaps it is true that C.O.T.C. would lease facilities from us in the event that their facilities are disrupted, or out of commission temporarily. But, that would be, as I say, most uneconomical to have that cable landing there and just be there to be used in the event of the facilities of a competing company being out of commission.

By Mr. Johnston (Bow River):

Q. May I ask a question. Can you tell the committee whether or not in the United States a company which is operating there can increase their outlets without permission from the United States government?—A. I would ask Mr. Henderson, or Mr. Kennedy to answer that.

Mr. James A. Kennedy, Vice President and General Counsel, Commercial Cable Company, called:

The WITNESS: I would say, Mr. Chairman, and I would say, sir, as to the ready facilities—

By Mr. Johnston (Bow River):

Q. I am speaking about these cables.—A. As to increasing the capacity of the existing cables you would not have to get approval.

Q. I am asking about increasing the outlets.—A. It is a little difficult for me to understand just what you mean.

Q. Well, you are asking—A. I would say no.

Q. You are asking that you have 12 more outlets in Canada?

Hon. Mr. MARLER: Twenty-four more.

By Mr. Johnston (Bow River):

Q. Oh, 24 more altogether. Now, can you go into the United States and increase your outlets by 24 without getting permission from the United States government?—A. From existing cables we can, sir.

Q. From existing cables?—A. From existing cables.

Q. What about from a new cable, can you?—A. From a new cable all we have to do is to get a landing license, which has no restrictions of use as to capacity, with no regulatory authority for the laying of the cable. It is merely a license.

Q. What is the difference between that and the position you would be in if Bill 212 passes? Because, as I understand this, and I am looking at the licence section, section 41 which says: "(a) operate an external submarine cable; or (b) construct, alter, maintain or operate an external submarine cable except under and in accordance with a licence issued under this Part."

Now, that means that this bill proposed today is to put into force a licencing system almost identical to the one in the United States?—A. No, sir, I must differ from you.

Q. What is the difference?—A. I must say, that as I stated, in the United States there is a very simple licensing act. There is no authority for issuing regulations concerning the landing of the cable. All it says is that you have to get authority to land a cable before you can land it, and that is all.

Q. That is all this is doing, is it not?—A. No, sir. It says, "subject to the regulatory power."

By Mr. Green:

Q. Read page two.—A. On page two.

By Mr. Johnston (Bow River):

Q. In section 41 it just gives the government the power to issue these licenses under certain conditions?—A. Yes.

Q. It says, "The governor in council may make regulations (a) providing for the issue of licences for the purposes of this Part;"

Is that not exactly the same with the United States too?—A. No, sir.

Q. You have got to get permission before you can land one of these outlets?—A. I would say that, generally, with more wordage, the licensing act of the United States is very much like—or could be construed as very much like paragraph 41 here. There is no question that you can land a cable without a licence. That is very similar to the United States act. But, our act there has no comparable provisions as paragraphs 42 and 43 in Bill 212.

Q. You mean to say then that in the United States they have no regulations whatsoever regarding the operation of an outlet in the United States?—A. No, sir.

Q. Once you get the outlet you can do anything you like?—A. Yes. They have regulatory powers over rates, of course. But, how you use those outlets once you land the cable, they have no interference whatsoever.

Q. Have you got the United States bill?—A. Yes, sir.

Q. I wonder if we could have copies of that, Mr. Chairman, if the witness has enough available for each member of the committee, so that we will be in a position to compare the legislation in the United States with the legislation proposed here in this bill?—A. I am sorry, sir.

The CHAIRMAN: I think it would be just as well to table it, would it not?

Hon. Mr. MARLER: Table one copy.

The CHAIRMAN: Just one copy.

The WITNESS: I have only the one, sir.

Mr. JOHNSTON (*Bow River*): We could have that tabled, and then it could be put in as an appendix to the report of proceedings.

By Mr. Hahn:

Q. Is there a section in that that deals specifically with the situation where you can put outlets, or where permission is granted that you can add to that?—A. No, sir, there is not.

By Mr. Johnston (Bow River):

Q. You have no objection to section 41, but most of your objection is centered on section 42?—A. Yes, sir. I believe Mr. Corlett stated that yesterday in his brief.

Mr. GREEN: The objection, as I understand it, is that they have already been told they cannot get any outlets.

Mr. JOHNSTON (*Bow River*): I suppose you would have to have the minister answer that, but I would doubt if the purpose of this legislation is to exclude the operation of this company, but merely to make it come under the regulations.

Hon. Mr. MARLER: That is right, Mr. Johnston.

Mr. GREEN: That is not the complaint at all. They say they have been told they are not going to get any outlets.

Mr. JOHNSTON (*Bow River*): Maybe the minister could put us clear on that.

Hon. Mr. MARLER: Mr. Chairman, I think it would be more sensible if we were to finish dealing with the witnesses before I start trying to set forth what I consider to be my own side of the question.

Mr. JOHNSTON (*Bow River*): Mr. Chairman, it does seem to me that if the government's intention is not to exclude this company, that would give an entirely different picture with respect to what the committee here would be prepared to listen to from the witnesses that are speaking, because there might be a lot of extraneous stuff put on the record that is of no use.

Mr. MARTIN: May I say this, sir, we have already been excluded in that our application has been refused.

Hon. Mr. MARLER: Mr. Chairman, Mr. Martin says the company's application was refused. The letter was given to Mr. Maclaren and forms part of the company's brief. I think everybody is perfectly free to interpret the letter that was given, and I do not think it should be regarded as a refusal.

Mr. HAMILTON (*York West*): Mr. Chairman, I would suggest that if the minister is not going to make any statement about it now, that the committee consider that these witnesses can be recalled after he does make his statement, if there is anything that should be said in rebuttal.

Hon. Mr. MARLER: I think that is perfectly reasonable, Mr. Chairman. But, I think the members of the committee would appreciate that inasmuch as I am not calling the witnesses, it would be most inappropriate for me to make a statement in the middle of the testimony of the witnesses.

Mr. JOHNSTON (*Bow River*): Mr. Chairman, at this point, may I move that the United States bill be printed as an appendix to the proceedings? I suppose we have to have that motion before it can be done.

Mr. CAMPBELL: Mr. Chairman, the bill does not seem to be very long. How would it be if this gentleman read it?

Mr. JOHNSTON (*Bow River*): We have that motion now. We have been talking about it, can we decide on it?

The CHAIRMAN: Mr. Johnston moves that this be put in the minutes.

Carried.

Mr. GREEN: Is it very long Mr. Chairman? Perhaps it could be read to us right now.

Mr. LANGLOIS (*Gaspe*): One is very long, I understand. There are two of them.

Mr. HAHN: There is just one page there.

Mr. CORLETT: There are three sections, I understand, Mr. Chairman.

The CHAIRMAN: It will go in the minutes.

Mr. CAMPBELL: I move we have it read.

The CHAIRMAN: It has been moved by Mr. Johnston (*Bow River*) that it goes in the minutes.

Mr. CAMPBELL: That does not preclude reading it, surely?

The CHAIRMAN: Will you withdraw your motion?

Mr. JOHNSTON (*Bow River*): No, I do not think I will withdraw the motion. You have already put the motion and it has been decided.

Mr. CAMPBELL: It should be read now. We cannot see it for two weeks.

Mr. JOHNSTON (*Bow River*): If they wish to have it read now I have no objection.

The CHAIRMAN: Would you like to have it read? I think we better have it read.

Mr. JOHNSTON (*Bow River*): You will notice, Mr. Chairman, that I am asking that the whole bill be put in, not just certain sections of it. I do not care what section he wants to read, that is a different thing, but the committee has already agreed to have the bill printed, and I do not care what action you take from there on.

The WITNESS: Mr. Chairman, may I say that in my opinion, and to the best of my knowledge this is the entire act as it applies to the landing of cables. But, it so happens that the sections are there because of other material that is in the same act. But, I will be glad to check that and be sure of that. But, to my knowledge this is the whole act as it refers to the landing of cables. It is generally known as the Cable Landing License Act, sections 34, 35 and 36:

34. Licenses for landing or operating cables connecting United States with foreign country; necessity for. No person shall land or operate in the United States any submarine cable directly or indirectly connecting the United States with any foreign country, or connecting one portion of the United States with any other portion thereof, unless a written license to land or operate such cable has been issued by the President of the United States. The conditions of sections 34 to 39 of this title shall not apply to cables, all of which, including both terminals, lie wholly within the continental United States.

35. Same; withholding or revoking by President; terms and conditions of licenses. The President may withhold or revoke such license when he shall be satisfied after due notice and hearing that such action will assist in securing rights for the landing or operation of cables in foreign countries, or in maintaining the rights or interests of the United States or of its citizens in foreign countries, or will promote the security of the United States, or may grant such license upon such terms as shall be necessary to assure just and reasonable rates and service in the operation and use of cables so licensed. The license shall not contain terms or conditions granting to the licensee exclusive rights of landing or of operation in the United States. Nothing herein contained shall be construed to limit the power and jurisdiction heretofore granted the Interstate Commerce Commission with respect to the transmission of messages.

36. Same; preventing landing or operating of cables. The President is empowered to prevent the landing of any cable about to be landed in violation of sections 34 to 39 of this title. When any such cable is about to be or is landed or is being operated without a license, any district court of the United States exercising jurisdiction in the district in which such cable is about to be or is landed, or any district court of the United States having jurisdiction of the parties, shall have jurisdiction, at the suit of the United States, to enjoin the landing or operation of such cable or to compel, by injunction, the removal thereof.

By Mr. Johnston (Bow River):

Q. Are there any regulations pertaining to the operating of the cable?—A. No, sir.

By Mr. Herridge:

Q. Could I ask you this question: is your act voluminous, and does it contain a lot of other sections on other matters?—A. No, sir.

Q. This is your act?—A. This is the entire act.

By Mr. Carter:

Q. Are there any other acts pertaining to cables, messages or telegraphs?—A. Not with respect to the landing of cables. But, as I say, this is a part of a larger act.

By Mr. Herridge:

Q. That is the point.—A. It has nothing to do with the landing of cables.

Q. We had a motion that the entire act be printed. Now, that is an unnecessary expense, I submit, Mr. Chairman to this government; and we are concerned, in this party, in the saving of money on the part of the taxpayers of Canada. I suggest that it is quite sufficient to print this in the record. We do not want a lot of material printed that has nothing to do with the question.

Hon. Mr. MARLER: I do not think Mr. Johnston expected that the whole piece of legislation would be printed on the record.

By Mr. Johnston (Bow River):

Q. What I am concerned with is the operating of the landing, and its regulations.—A. There are no regulations, sir.

By Mr. Carter:

Q. Just at that point, did you not refer to a federal state commission there? You read out something about a federal state commission having some power with regard to the transmission of messages?—A. Yes, that is said there. "Nothing herein contained shall be construed to limit the power and jurisdiction heretofore granted the Interstate Commerce Commission with respect to the transmission of messages", which is now a federal commission with respect to the fixing of rates, or whatever jurisdiction they have.

Q. Yes, but what jurisdiction do they have apart from the fixing of rates?—A. They have jurisdiction over all cables and radio carriers with respect to rates, tariffs, and financial reports. In other words, it is a general regulatory body, but it does not affect these landing licences.

By Mr. Johnston (Bow River):

Q. Mr. Chairman, the only thing I have reference to is the part of the act which deals with this particular question.—A. That is it, sir.

Q. I am not concerned with the original act that is two or three inches thick. Of course, we do not want that in the records. But, I am concerned with,—and I would amend the motion to that extent, with just what information that deals with this particular question.

By Mr. Campbell:

Q. In section 35 there were the three words you read, "upon such terms". Would that not signify that there were regulations?—A. Not to my reading it does not, sir. Of course, it is limited to "upon such terms" to ensure fair and equitable rates, I think it says, if I recall the thing right. But, there are no regulations, I can assure you.

Mr. BARNETT: Mr. Chairman, on this point, I listened as carefully as I could to the reading of the act, and as I understand it, the act passed, I presume, by the Congress of the United States, confers upon the President of the United States, the executive, certain authority. Now, I must confess, that I would like to hear some spokesman for the Commercial Cable Company be a little more explicit in regard to why they feel the effects of the bill we have before us would confer greater powers upon the executive of the government of Canada than that act does upon the executive of the United States.

Now, might it not be simply a difference in the structures of government of the two countries? In other words, where the President exercises the authority in the United States, the governor in council does in Canada? Now, perhaps Congress does not follow through the procedure, which is quite normal with us, of providing in the bill that the executive has the authority to make regulations? Perhaps it is not regulated, by practice, in the United States, but it is specifically stated in the bill that the executive has the authority.

Now, I would like to know why you consider that this clause 42 in this bill confers greater powers on the executive of Canada than that bill does on the executive of the United States?

Mr. GREEN: Mr. Chairman, perhaps it would simplify the matter a bit if we looked at section 41 of the new bill, which provides that: "No person shall in Canada—operate". It does not say anything about landing, which is the United States provision. It says, "No person shall in Canada—operate an external submarine cable;"

Mr. JOHNSTON (*Bow River*): It is the same thing in the American bill—land or operate.

Mr. GREEN: "—construct, alter, maintain or operate any works or facilities for the purpose of operating an external submarine cable.

Except under and in accordance with a licence issued under this part." That seems to me to go considerably further than the American bill does.

Hon. Mr. MARLER: The American legislation as I understand it used the words "land or operate".

Mr. JOHNSTON (*Bow River*): The same thing.

Mr. BARNETT: I would like to hear why they feel this gives wider power than the American bill. I think they should make it more explicit.

Mr. HAMILTON (*York West*): Probably they feel that way because they have already been told.

Mr. BARNETT: The bill gives the President of the United States the same power to decide whether or not he is going to issue the licence.

By Mr. Hahn:

Q. Possibly the answer to this question might be the answer to the whole thing. If you have, as you have today, the right to operate and to land a cable in the United States, does that automatically give you the right to add any additional number of cables in the United States?—A. Mr. Chairman, we have not had an opportunity to test that. I might say, to my knowledge it has never been tested. But, I am sure that if we should lay this new cable, or any cable, we would seek authority to land it before doing so, under that act that I just read, and I would not anticipate any difficulty either. So far as I know there has never been a landing refused in the United States.

As you know, the British companies used to operate cables through New York and into the United States; The Anglo-American, from which Western Union now has a lease, which was originally 99 years, and which runs into

Canada, have operated cables into New York, but they saw fit to lease their cables to Western Union. The French Cable Company operates cables into New York at this time and has for many years. In earlier days several other British companies operated cables into the United States. As I said, I know of no instance that a cable landing licence has ever been refused to any company, regardless of nationality.

I might add this, that as of this moment Cable and Wireless operates cables into Puerto Rico and the Virgin Islands, United States possessions, and no landing licence has ever been required. So, the Cable Landing Licence Act that I have read to you, for the United States, has always been considered a very simple document, and that before you land you get the approval, and that is all. There are no regulations at all.

Mr. HAHN: Mr. Chairman, you made your plans some time ago, before this Bill 212 came to our attention, as I understand it. Before we brought in this bill it was not necessary to get permission from the federal government in Canada either.

Hon. Mr. MARLER: That is not correct, Mr. Hahn. Section 22 requires the approval of the governor in council.

Mr. HAHN: I was going to say, though, they require the same authority, according to the act I just heard read, from the United States President.

Hon. Mr. MARLER: That is right.

By Mr. Hahn:

Q. Would you go ahead and build a cable without getting approval for 96 outlets into the United States?—A. No, sir.

Q. You would get the approval from them first?—A. Yes.

Q. So you are in fact coming to Canada first for approval for 24 outlets in Canada?—A. Yes, sir.

Q. Having got approval, if we see fit to give you approval, then you will go to London, and to Washington to get approval from them likewise?—A. I might say, sir, in answer to that, the whole thing was taken up originally simultaneously. We have kept the United States government advised of every step. They know our plans and they know exactly what we are going to try to do and hope to do. We have, you might say, kept them advised so that at the appropriate time we were going to ask for a simple licence.

Q. Up to now you have no reason to believe that you will be refused in the United States?—A. We have not, sir. In other words, before we went to the United Kingdom and before we first came to Canada we received in writing what they call "an approval in principle". They did not—we did not ask for a general approval licence, a formal licence, but we have a document from them approving the project in principle.

Q. On the other hand, in London, it would appear from the information we received yesterday, that you may not receive approval at that point, that is in the British area? That causes me to ask this question: if permission were denied in London and granted in Canada, where would your outlet be in Europe?—A. We have had under possibility several places, as Mr. Henderson said yesterday. We have even had some informal discussions with some of the German authorities. There is the possibility of Belgium or France. But, as I said, and as Mr. Henderson said, those have only been tentative inasmuch as we first want to know definitely whether the United Kingdom will finally agree, or whether they will not.

Q. If the United Kingdom does not agree, and you get an outlet into one of these other countries, have you facilities from that point in Europe, at this time, to London to carry extra messages that would be carried from Canada and the United States to that point in Europe?—A. Yes, we would. Because we have direct cables now into France, into Germany, into Belgium.

Q. Would they be able to carry that additional load?—A. I believe so, sir, certainly. That could be easily estimated because we lease facilities over that from the United Kingdom to Holland and possibly to some other countries in addition to having our own cable.

Q. If you are being denied the right to have outlets in the United Kingdom at this time, is it likely that if you need additional facilities from Europe into the United Kingdom that you would be granted such a permit by the United Kingdom?—A. Well, we might. That is a problem, and I do not know.

Mr. LANGLOIS: Mr. Chairman, might I make a suggestion to the committee? I have before me the Communications Act of 1934 as amended, and since the other act has been read into the record, for the benefit of the committee I thought that the two short subsections of the Communications Act of 1934 should also be read into the record. So with your permission—if the committee is willing—I am prepared to read these two short sections, which give authority to the Federal Communications Commission.

The WITNESS: Is that the Canadian act?

Mr. LANGLOIS: No, it is the American act which gives authority to the Federal Communications Commission over the station licences under the act which was read previously.

Mr. JOHNSTON (*Bow River*): I would agree to that.

Mr. LANGLOIS: Section 308 of the Communications Act of 1934 paragraph (c) reads as follows:

The commission in granting any licence for a station intended or used for commercial communication between the United States or any territory or possession, continental or insular, subject to the jurisdiction of the United States, and any foreign country, may impose any terms, conditions, or restrictions authorized to be imposed with respect to submarine-cable licences by section 2 of an act entitled "An act relating to the landing and the operation of submarine cables in the United States", approved May 24, 1921.

That is the end of that section. And there is another subsection, in section 602 paragraph (c). The title is "Repeals and Amendments", and subsection (c) reads as follows:

The last sentence of section 2 of the act entitled "An act relating to the landing and operation of submarine cables in the United States", approved May 27, 1921, is amended to read as follows: "Nothing herein contained shall be construed to limit the power and jurisdiction of the Federal Communications Commission with respect to the transmission of messages".

The WITNESS: May I make an explanation? The first quotation which I read referred to the radio licence, which has nothing to do with the cable licence, but it does say, as the gentleman read, that the commission—and that means the Federal Communications Commission—may impose in addition to many others in radio—may impose such terms and conditions in a radio licence as may be imposed in a cable licence. Then you referred to the cable licence; so that gives them the same authority to put into a radio licence what you put into the cable licence; but with respect to radio licences, there are many, many terms and conditions which are authorized and which are actually written into the licence. With respect to the last clause read by the gentleman, in section 602, it merely referred to the Federal Communications Commission and their jurisdiction which had heretofore been in the Interstate Commerce Commission which I read to you in the Cable Landing Licence Act, and if you recall it, that act only took away the jurisdiction which may be in the Interstate Commerce Commission.

When the Federal Communications Commission was created, the Communication Act was passed in 1934—there was that change which the gentleman read which was necessary because it transferred from the Interstate Commerce Commission its jurisdiction as to the rates and so on over to the Federal Communications Commission.

By Mr. Johnston (Bow River):

Q. Are there any limitations or regulations written into the licence which is granted in the United States in regard to cables?—A. There are, but only to the extent of insuring the equitable rates, as the licence prescribes and the landing points, but nothing beyond what the licence authorizes.

Mr. E. A. Martin, Canadian Manager, Commercial Cable Company, Montreal, recalled:

By Mr. Nesbitt:

Q. I would like to ask Mr. Martin a question regarding section 42 which, I take it, is the section of the bill which worries the Commercial Cable Company. Looking at the various subsections *a*, *b*, *c*, *d*, and *e*, one would gather from the terms of this section that providing that the governor in council may make regulations respecting applications for licences and prescribing the information to be furnished by the applicants and prescribing the duration, terms and conditions of licences and the fees for the issue thereof, while paragraph (*d*) provides for the cancellation or suspension of licences for failure to comply with the terms and conditions thereof, I suppose the problem which worries the Commercial Cable Company is whether this section is in fact a type of licensing section which is similar to the type of licences or the issue of a licence for the ownership of a motor vehicle, which is automatically granted provided certain conditions are fulfilled as prescribed, or whether the Minister of Transport or the Department of Transport has the power to refuse a licence, even if the terms and conditions are fulfilled. But from the wording of the section it would seem that is not the case; however, the letter which Commercial Cable Company received from the minister would indicate that the department does have the power and the intention to use such power to refuse a licence except in specific conditions; in other words, even if Commercial Cable Company fulfilled all the terms and conditions required of any company wanting a licence, even under those conditions the department feels that it has the authority to refuse a licence, even if the terms and conditions are fully met. Is that correct?—A. We feel that we are already licensed under our Canadian charter as we understand it. Or course, I am purely a layman in legal matters. Perhaps Mr. Corlett could explain it better, but our position is that the purpose of this bill is to apply regulations and conditions under which we operate these cables, not knowing what they are, as I read it, and this would give the Department of Transport very wide powers indeed.

For example, in the case of our last application, they said that we could land a cable, but we must use the facilities of the crown corporation, or of a competitor; that you cannot use them for your own traffic. That is the sort of thing we had in mind.

By Mr. Hamilton (York West):

Q. Could we restrict the last question to the minister and ask him if his people in his legal department feel that this section 42 does give the right of refusal of a licence?

Hon. Mr. MARLER: I was going to intervene to say that I think the committee should appreciate that there is a distinction between a licence contemplated under this bill, and the landing licence which has been the subject of correspondence between myself and the representatives of Commercial Cable Company. I do not think there is any question—and I shall deal with that more fully later on—I do not think there is any question that if the governor in council wished to do so, he could refuse completely to grant a landing permit for a new cable. So far, however, as the licensing system is concerned, I propose to assure the committee that the licensing provisions are not designed to put anybody out of business. The licence will be issued to the cable company and it will enable them to carry on as they have been carrying on at the present time, subject to the conditions which will have to be elaborated upon and which I think will be fair to all concerned.

Mr. GREEN: What about the landing licence if it says that you could only use this cable for defence purposes or to carry messages for C.O.T.C.?

Hon. Mr. MARLER: I do not want the committee to be under any misapprehension about the landing licence. The landing licence is not at issue in this bill at all. The only question at issue in this bill is whether or not we should have a licensing system. I know that the committee would like me to go beyond that, and I in turn would like the committee to know all the facts concerning the refusal or the position that the government has taken with regard to the Commercial Cable Company's application.

I think they are satisfied that the decision we have taken is a sound one, but I do not think this is the appropriate time for me to deal with that question. What I want to emphasize first is, that there is a distinction between the landing permit which is something required in order to place a cable on Canadian soil, and the licence which is contemplated by the new legislation which is in fact the licensing of the operation of the cable.

Mr. NICHOLSON: We have had a long discussion and it would seem to me that we might conclude the discussion as presented by this brief and give the minister an opportunity to make a statement with the understanding that the witnesses would be available to be examined later on if we are not satisfied with the information we have had, and I suggest at this point that we proceed.

Mr. GREEN: No, not until we are through with our other witnesses as well.

Mr. NESBITT: The minister made a distinction between a landing permit and the licensing regulation. They are tied together of course inasmuch as section 41 ties in with section 42.

Hon. Mr. MARLER: I want it to be perfectly clear that section 41 and section 42 do not deal with landing permits. That comes under section 22 of the Telegraphs Act.

Mr. NESBITT: I have only one question to ask the minister and it is this: under the regulations which may be set up by the governor in council in section 42, provided that any company which might wish to be licensed fulfills those regulations which are set out, would the department and the minister have the power to refuse a licence if the conditions were fulfilled as set out in the regulations?

Hon. Mr. MARLER: Refuse which licence?

Mr. NESBITT: To refuse the licence under the new legislation? Under section 42 it says:

"The governor in council may make regulations (a) providing for the issue of licences for the purposes of this part;" ... and so on and if all those conditions were fulfilled by any company requiring a licence, then could the minister still refuse a licence?

Hon. Mr. MARLER: I would like to reflect on that question before I answer it too hastily. I would like to examine the position to see what it really means.

Mr. NESBITT: I thought that was the crux of the situation.

Mr. GREEN: The regulations could always be changed.

Mr. BELL: It is contained in section 42, paragraph (e).

Mr. NESBITT: What we would like to know is this: do the Department of Justice officials feel under these provisions here that there is the absolute right of refusal notwithstanding compliance with the mechanical form of the application?

Hon. Mr. MARLER: An application of what kind?

Mr. NESBITT: For this type of licence?

Hon. Mr. MARLER: We shall try to answer that question.

By Mr. Carter:

Q. Your present cable lands somewhere in Canada? It lands in Newfoundland?—A. Some of them land in Canso and some in St. John's.

Q. You have nine and one half channels?—A. Yes.

Q. Are they all in the one cable?—A. No, in six cables.

Q. All six of them land somewhere in Canada?—A. Either at Canso or at St. John's; and in some cases at both places.

By Mr. Hahn:

Q. In exhibit "d" the words used by Mr. Marler are:

".....the application of Commercial Cable Company to land on the coast of Canada a new trans-Atlantic coaxial cable".

That is just the one cable?

Hon. Mr. MARLER: That is under section 22.

Mr. HAHN: The minister says that the reference is to section 22, but I would like Mr. Martin to let us know if he interprets section 42 of this bill as referring to the landing of a cable, and that is the reason his company takes exception to the bill?

The WITNESS: No. Perhaps that is a legal question which Mr. Corlett could answer, but I would say that the objection in this letter is that we are unable to terminate circuits in Canada for the purpose of handling Canadian traffic for which there is a demand. I want to make it very clear when I say that there is a demand. I want to make it very clear that that demand exists.

I travel from coast to coast in Canada at least once a year through all the provinces to see how our services are, and I have talked to some people with respect to the service delay, and I can say most emphatically that they are not satisfied with the present service; they want a more direct service and a faster service, and they say that it is absolutely a necessity to have these additional facilities if they are going to compete in world markets.

By Mr. Hahn:

Q. We can appreciate the need for more services, and we are not disputing that at this time. The question is as to how you interpret Bill 212, section 42?

Mr. CORLETT: In so far as the proposed section 42 is concerned, in view of the past history of this company in the last two years we are fearful that in the set-up in paragraph (c) particularly, that it could be used to justify the denial of our—"prescribing the duration, terms and conditions of licenses and the fees for the issue thereof"—that it might be construed pretty widely. And then going on to paragraph (e) "generally for carrying the purposes and

provisions of this part into effect"—the company as such has no right to object to licensing, but I think we must remember that you already have a licensing provision in another subsection of the act, namely subsection 22, and another form of licensing in sections 24 and 25; and we are fearful from the experience we had in 1954 and 1955 of that justification in the future for denying this company, or not permitting it to have Canadian outlets for this new cable would be justified under this new section 42 (c).

Mr. HAMILTON (York West): In other words, those conditions could be made so onerous that you could not comply with them. They could be made that way?

Mr. CORLETT: Yes.

Mr. NESBITT: You fear possibly that the regulations set out in section 42 might even go to the extent that they would favour one company as against another because the conditions under which different companies operate are naturally different?

Mr. CORLETT: In answer to that question that could be the result because the language of the classes prescribing the duration, terms and conditions of licences and the fees for the issue thereof could be construed by the department in that way.

Mr. NESBITT: They might very well be so drawn up as to favour the C.O.T.C. as against any other company, and in fact become a discriminatory type of regulations?

Mr. CORLETT: I would say, theoretically, that is quite possible.

By Mr. Carter:

Q. I had not quite finished or received the answer I was leading up to. You told the committee, Mr. Martin, that in Canada there are six cables on Canadian soil with a total of nine channels?—A. That is correct.

Q. What is the comparable figure for the United States? How many cables and how many channels?—A. That is the over-all load; that includes the circuits and the cables at our terminals in the United States. Those six cables come from the United States through Nova Scotia and through Newfoundland and over to the United Kingdom and we have circuits in them.

Q. You have six cables?—A. That is correct.

Q. That is your total?—A. Except that one is no longer operative because it is old, and after 72 years it just does not serve its purpose.

Hon. Mr. MARLER: I would suggest, if the committee had finished asking questions of Mr. Martin, that if there were any other questions which might be addressed to representatives of Commercial Cable Company, perhaps we could dispose of them, and if not, we might allow representatives of Western Union to make such representations as they may wish to make, and then this afternoon we might deal more fully with the bill itself.

Mr. HAMILTON (York West): There were two suggestions made concerning amendments by Mr. Corlett, and in reading them it would appear to me that they would afford protection for the company which he represents, but that they would not necessarily afford any protection for any other applicant at a future date. Would it be fair to assume that on my part?

Mr. CORLETT: I would say yes, and that we were only thinking of the position of this company, although we assumed there were other companies who felt that they were in a similar position legally, but they could easily enough have their empowering statute added.

Mr. BARNETT: In the brief from the Commercial Cable Company reference was made at one point to an arrangement with the Canadian Pacific Railway

Telegraphs. I wondered if the Canadian Pacific Railway Telegraphs have indicated any desire to make any representations? Have we any representations from them?

Hon. Mr. MARLER: No.

Mr. BARNETT: In respect to the arrangements made between themselves and the Commercial Cable Company?

Hon. Mr. MARLER: Perhaps the secretary of the committee could tell us.

Mr. BARNETT: I think we should have representations from the Commercial Cable Company in order to understand the viewpoint of the Canadian Pacific Telegraphs Company in connection with the subject matter of this bill.

Mr. KENNEDY: We have a contract with the Canadian Pacific Railway Telegraphs for the handling of traffic at the cable head. We carry the international traffic to the cable head where we turn it over to Canadian Pacific Railway Telegraphs, and they deliver it at various points in Canada.

In a reverse direction, Canadian Pacific Railway Telegraphs pick up for us the international traffic and carry it to the cable head. I can say that the Canadian Pacific Railway Telegraphs are quite willing to carry on with that contract and they have said so.

We have had that traffic agreement with them for the past 72 years, but beyond that I am sorry that I cannot speak for the Canadian Pacific Railway Telegraphs.

Mr. LANGLOIS: Is it not a fact that the Canadian Pacific Railway Telegraphs has a similar arrangement with C.O.T.C. for the handling of their traffic?

Mr. KENNEDY: That is correct; and there are three international carriers operating in and out of Canada. We, the Commercial Cable Company, and the C.O.T.C. work with the Canadian Pacific Railway Telegraphs, while Western Union works through the Canadian National Railways Telegraphs. So that to all intents and purposes, the transmission of traffic to the cable head is handled by the Canadian Pacific Railway from all the carriers, and that means that it is taken over by C.O.T.C. or by Commercial from the Canadian Pacific Railway Telegraphs, while Western Union works in connection with the Canadian National Railways Telegraphs.

By Mr. Batten:

Q. You had agreements with Newfoundland in 1905, 1909, and 1926?—
A. Yes.

Q. And on the 1st of April, 1949, you were advised by the Department of Transport that those agreements would be terminated?—A. That is correct.

Q. Within a period of six months, bringing us up to October 1st?—A. Yes.

Q. You were still operating in Newfoundland?—A. That is correct.

Q. Under your old agreement of 1884?—A. No. We were not in Newfoundland until 1905. When the cable landed in 1884 it did not touch Newfoundland; but in 1905 we entered into an agreement with Newfoundland.

Q. And you had an agreement with the Canadian government dated 1884?—A. That is correct.

Q. When your agreements of 1905, 1906 and 1926 were terminated, you then operated in Newfoundland under the terms of your 1884 agreement?—
A. Yes.

Q. Was that the only chance you had, to operate under that old agreement?—A. I might say that after the receipt of this letter we referred the matter to our attorney in Montreal and he came to Ottawa and discussed the matter with the Department of Transport.

The result of the interviews he had was that in the first instance he said that the Department of Transport was not aware that we had permission under our 1884 agreement to do business in Canada, but once they realized that we had that 1884 charter, they said: "You can go ahead and do business in Newfoundland on the basis of your 1884 charter".

Q. Do you feel that any of the rights conferred on you through your agreement with Newfoundland were in any way decreased by having to operate in Newfoundland under your 1884 agreement?—A. I believe hat perhaps Mr. Corlett might answer your question. I do not know the terms of that agreement.

Mr. LANGLOIS: Notice of cancellation was given in respect of the 1922 agreement only.

The WITNESS: That is correct. But under its terms we were told that we could not do business in Newfoundland any longer. And when we referred the matter to our attorney, it was then that we discovered that we had this 1884 charter which would permit us to do business in Newfoundland, since Newfoundland was not part of Canada.

Mr. HENDERSON: May I add a word with respect to the agreements in Newfoundland. The 1905, 1909 and 1926 agreements were for the landing of cables. The 1905 agreement also covered traffic handling. There was a later agreement executed with the Newfoundland government, and then the 1922 agreement came about, that traffic agreement, the other agreement was cancelled by the Department of Transport under clause 18. But as I recall it, we have never received any advice that the contracts of 1905, 1909 and 1926 were cancelled. Those contracts, the 1909 and 1926 contracts, gave us the right to land one cable and any cable thereafter without any proviso other than of the 1884 proviso.

We had an agreement with the Provincial Telegraph System in Newfoundland under our 1922 agreement for handling traffic to and from Newfoundland over their lines; and as I said yesterday, when that agreement was cancelled, then in order to be able to handle local traffic between Newfoundland and Canada we executed an agreement with the Canadian Pacific Railway Telegraphs to be their agent in Canada for the handling of that traffic in St. John's and for the handling of that traffic and we continued to handle international traffic thereafter under the 1884 Canadian charter.

By Mr. Batten:

Q. Do you feel that your agreements of 1905, 1909 and 1926 are still effective?—A. That is right.

Mr. BATTEN: Thank you.

The CHAIRMAN: Is it the wish of the committee to hear from Western Union and then to ask questions of the Commercial Cable Company?

By Mr. Bell:

Q. I have one question to ask of Mr. Martin. In the light of new research development, do you think that in the future this coaxial cable might become outdated?—A. That is a very difficult question indeed. We are always looking for improvements in the communications field, but as I see it today we know of no improvements that we could put in beyond the proposed coaxial cable.

Q. What about these new inventions with respect to meteor rockets for the transmission of messages? You would need an entirely new type of legislation to deal with them than what we have here?—A. I assume so.

By Mr. Hamilton (York West):

Q. Just a minute ago you mentioned that the Commercial Cable Company worked with the Canadian Pacific Railway Telegraphs while the Canadian National Railway Telegraphs worked with the Western Union?—A. Yes.

Q. Does Western Union have its own cable laid across the Atlantic?—A. Yes, they have their own cable.

Q. But it is C.O.T.C. that they deal with?—A. And also the Canadian Pacific Railway Telegraphs; Commercial Cable Company deals with Canadian Pacific Telegraphs, and the Western Union deals exclusively with the Canadian National Railway Telegraphs, so you have two international carriers.

The CHAIRMAN: We shall now hear from Western Union.

Mr. Alastair MACDONALD, Q.C. (*Counsel for Western Union Telegraph Company*): Mr. Chairman, Mr. Minister and hon. members: I am appearing today as counsel for Western Union Telegraph Company. I am not in the communication field myself. I am a local lawyer here in Ottawa, but I am fortunate in having with me Mr. Robert Levett of New York, who is assistant general counsel for Western Union.

I was going to ask, Mr. Chairman, if I could have distributed a short statement in the form of a letter which I wrote to the minister on June 5, and which I would like to read. You may call it a brief for sake of a better term. Have I permission to have is distributed?

The CHAIRMAN: Is it the wish of the committee?

Agreed.

Mr. MACDONALD: If it suits your pleasure, I think Mr. Levett would like to say a few words before I read the brief.

Mr. Robert Levett, Counsel, Western Union Telegraph Company New York, called:

The WITNESS: Mr. Chairman, Mr. Minister and hon. members: sitting at the far side of this room today, and being about in a similar position yesterday, I was made acutely aware of the problem of acoustics, so that if there is any difficulty in hearing what I have to say, then any indication of that fact would be appreciated by me.

Coming here, as I have come, from New York I am the last one in the world to allow willingly anything I have to say to be lost in the never-never land of the atmosphere, so please do not hesitate to indicate the fact if I am not being heard.

The purpose of my remarks—I shall be perfectly frank—if obviously first of all that we really approach things in this way that I think our presentation is such that it lends itself somewhat to a complete reading, so my remarks made at this time to you, using up the few moments before the recess, are that I come here with Mr. Macdonald complete and in the round. The second and basic purpose of them is this: our statement was prepared well in advance of the meeting yesterday. In fact, my remarks were forwarded to the minister with a short supplementary statement which was likewise prepared two days ago.

Mr. Macdonald and I both feel that we owe it to you in return for the courtesy of this hearing, and we owe it to the minister in return for his courtesy, and we are very grateful for his recommending that this matter come to the committee.

We shall dish out something that is fresh and up to date rather than a statement prepared as if what happened yesterday and today did not happen or, in a word, we wish to say that what was said yesterday and today has been of tremendous help to us and to Western Union in general. To the extent

possible, we wish to incorporate in our statement what we have learned from listening to what has happened, and to give you the statement as something that is up to the moment. Before the hearing yesterday we entertained certain fears and doubts and, in some respects, frankly, some of those fears and doubts have been removed.

We hope to indicate specifically just what we have in mind. We are definitely enlightened by what we have heard here with respect to the connection, or lack of it, between the present statutory 22 relating to the landing licences or permits and the purposes of Part IV. Before coming to the hearing we were somewhat in the dark with reference to the governor in council. For decades we have made applications and have lived under 22, and the governor in council has received and actually sought application of this sort with respect to landing licences which—if I may be permitted to use parenthesis—is an outlet because when the submerged cable emerges and touches your soil it is in that sense an outlet. The governor in council is empowered, within his discretion, to act on the application on the basis of “the public good”. That is mightily broad language. And having acted, it seemed to us, that that resulted in the establishment of reasonable and proper, but certainly not substantive, terms and conditions with a result that when the application in question—either the 1880, the 1899 or at the present time—was granted, the applicant went home feeling that he knew what he had received and he would then as a matter of business judgment or commonsense or technical knowledge—look at it any way you wish, from the point of view of an engineer, a designer, a businessman, a technician, a lawyer or anybody else—know upon what footing the cable would be established once it was physically established. I say that that has a compensation which up to this moment remains intact and unaltered by anything before this committee.

These remarks are purely extemporary. I am telling you of the sum and substance of our reaction. The confusion came in a bill that intended to give the governor apparently the same authority and then issues further conditions. I left out a word—“substantive” conditions. Those, I suppose, would have related to the original application; but there is another word—“procedural” conditions. I do not want to use the words of a member. I prefer to think in terms of an auto licence. It would seem clear to us, at this moment, that it is not intended by the new Part IV—or if you strike out “governor” and insert “Department of Transport” or “Prime Minister”, or any of them—that the same authority should be enacted twice on the same thing, and now the explanation is clear that he who applies for authority or permission, for instance, to land on Canadian soil will, at the time he receives the answer, also receive the substantive terms and conditions, meaning the business, financial and engineering conditions, and the legal conditions, I suppose, in the sense that he will have to establish land at such and such a place and pick up twenty acres if he can get the local owner to sell, or you may have crown land or public land. That is a factor. And, in that single-shot result, you are in business.

The new bill, however, contemplates that hereafter when the use of the facility—and I am not a telegraph man, but I am close enough to those who are to understand by facility that we mean a conductor as distinct from equipment. That is something which you gentlemen may want to go into later on. We have been talking about the coaxial cable which is a conductor and with that they are able to increase capacity. Also, you may achieve, though in different degree, the same thing by diddling around with new equipment. It may be, technically, if one is getting to the control of traffic, that you have a broader area technically than one may think.

You can take a conductor, be it a coaxial or a loaded cable—and loaded cable is not used in the vernacular, but simply means a coating which enables

it to be used more efficiently. Once that has been authorized under the primary authority of 22 and this bill, then somebody will take a look at the use of the conductor. As I say, that has been cleared up in our minds. 22 and Part IV are not inconsistent with each other. They are not intended to duplicate. The question in my mind remains then, what precisely is the scope, to the extent that the new Part IV establishes procedural requirements to keep track of what has been authorized? Of course, as the use of a cable expands, of course one must keep track of the use of that very important medium of communication. How? By recording and, roughly speaking, fingerprinting, tabulating and clerical procedure. If that is what is intended by it—and certainly that is a fair inference in part—what becomes of the Dominion Bureau of Statistics? Again, I am not arguing. I am trying to keep my voice high enough that you may hear. These are really questions which disturb me. I am not necessarily implying that I think these results are good or bad. I do not have here a technical staff and I want to make this clear that Mr. Macdonald and I are here because we feel that this is essentially a legal inquiry here, and I was somewhat pleased when I heard one honourable member bring up the question of hearing some of the representatives from the Department of Justice or the Attorney General's department. I think that we have, basically, here a question of law. You think in terms of what results will come from the language which you adopt. There is no question about your authority to adopt it and we say what is your intent if you do this. Does that not come down to a matter of draftmanship and law basically? Because of that I do not have our technical men here. They are available to the committee and to the minister. As a matter of fact, we had a few weeks ago a technical inquiry about the capacity of our cable, the number of channels, and it is incorporated in our statement. Will the honourable members spare Mr. Macdonald and myself the embarrassment of any technical questions except in the broad sense as to what you as ordinary men and lawyers would be expected to retain in your mind on this? To that extent, we are prepared to answer. If you do not want to go beyond that, I see no reason for technical help here.

To conclude, we thought in terms of asking this committee what is the intent; and as far as I can see we are not only bound to accept your intention but we are also bound to learn it. Our statement boils itself down to our concept of the facts about our operations which we think may be helpful to you. If you need any more facts we will obtain them for you. We pose certain questions which now worry us. We hope, in the course of the hearings, that these questions will either be answered or that there will be some clarity. Then we finish with some suggestions and they are "if" suggestions. We say, "if you intend such and such a result, would you be good enough to take the broad language". We are not saying that it is bad language but we suggest that you should put in a proviso or something that will specifically make the language say what you mean. To put it another way, what we are suggesting, or attempting to suggest, is that you insert provisos which may meet some of the "if's".

If you intend, for example, that this was to be prospective—we note in Hansard a statement of the minister that he was not finding fault with the cable companies as they had run their business so far. And with the cables as they now exist, we tell you that Western Union does not use coaxial cables; we do not use voice bands; and we contemplate no such use in the foreseeable future.

So, therefore, if you do not intend to bother about the situation as it exists now, can you put in a little proviso that will say "prospectively"?

To put it in another way, if you are talking about coaxial cables, should you not say so? If Western Union, which is basically a through international cable system, and which touches your soil only because at the time when it did lay the cable the art was in such a state that we had physically to touch your soil, and basically we are a free international cable system, and you do not intend to license or control, or otherwise impose control upon free international cable systems, should you not say so?

I will not say any more, because I would be repeating what is in the statement. Let me sit down leaving this thought: apparently—I could be wrong—there is blur line instead of a line of demarkation between an application by commercial cable, which I have never seen, but which we have heard about, filed with the minister under section 22, as to which there is some sort of dispute,—and that is most obvious,—and an amendment which is being requested to serve a purpose, which obviously goes beyond section 22. Now, it looks as though we may have apples and oranges here, and maybe there is a mixture, intended or unintended.

But, be that as it may, I sit down with this thought: when you hear the statement of Western Union, which will be read by Mr. Macdonald, and when you question us, I will be available to deal with questions on Mr. Macdonald's statement or any further questions. For example, I hear something asked as to how domestic business is handled? I am sure this is done just as the minister would like to have it handled, over Canadian facilities through C.N.T. We do not have any Canadian outlets, as such, and the contract is a short-term contract expiring in 1959.

So, as far as that is concerned, if Western Union has no problems about the domestic business—that is, messages originating, or destined for Canadian soil—the problem lies between Western Union and the C.N.T., as it should, as a matter of contract.

I say, those and other questions will be dealt with. But, as I sit down, will you please bear in mind that we have made no application by anyone, of any kind, nohow, or nowhere. Now, is that clear to the extent that your record is an argument, that is good. The proof of law, the differences of discussions, questions and answers, call it what you will, about some application of commercial cable, or anybody else, that "ain't" us, to use the vernacular. So, when you listen to our statement, and when, as we hope, get some light on our bill, I hope it is in the light of that fact.

The CHAIRMAN: The committee is adjourned until 3 o'clock.

AFTERNOON SESSION

THURSDAY, July 12, 1956.

The CHAIRMAN: Gentlemen, we have a quorum.

Mr. Alastair Macdonald, Q.C., Counsel, Western Union Telegraph Company, called:

The WITNESS: Thank you, Mr. Chairman. If I might, I would like to read a letter of June 5th, 1956, which I sent to the Minister of Transport on behalf of Western Union Telegraph Company. It is not too long, and I will read it fairly fast. I hope I am speaking loudly enough.

Honourable George C. Marler,
Minister of Transport,
Ottawa, Ontario.

Dear Mr. Marler:

Western Union Telegraph Company has asked me to make the following statement which we hope will be useful to you or to the appropriate committees.

The statement is largely factual and not technical but the company stands ready at all times to furnish such other factual and technical information as you may require.

At the outset, may I state that Western Union feels that the language of the pending bill appears to be plenary and enabling in nature and is so broad that if enacted could establish the means through its licensing power to obstruct, and even destroy, the present lawful international telegraph operations of Western Union; and, in fact, such power could be used to effect a confiscation of Western Union's existing contract rights and legislative grants, thus, additionally, rendering valueless all plant, equipment and other assets validly established in Canada under applicable law stretching back over decades.

Now, I would like to depart from the text just for a moment to apologize for having spoken of confiscation. It never occurred to me that this government, or any government of Canada would confiscate the property of a subject. I know that that is not done. I just point out in the "whereases" that the language was so broad that it was capable of that. But, I really apologize for having used the word "confiscation". I do not think the minister thought for a moment that I meant that.

Hon. Mr. MARLER (*Minister of Transport*): I did not take any offence, Mr. Macdonald, I can assure you of that.

The WITNESS: I wish to make it clear that it would appear to us that the present governmental authorities are acting in good faith and are simply seeking an enactment which in their view and to them seems desirable. However, the language itself is so broad and general in nature as to go far beyond any reasonable purposes and, in our view, the proposed amendment assumes the nature of cancellation of existing legislative and private agreements as well as the establishment of a direct threat to fair and competitive telegraph operations in the field of international communications, both with respect to business originating in or destined for Canada as well as through international traffic which merely touches Canadian soil for relay purposes.

I believe it may be helpful to give a brief outline of the nature of Western Union's operations in the field of international telegraph communications and the following should serve that purpose.

The Western Union Telegraph Company operates a north Atlantic submarine cable system consisting of ten trans-Atlantic cables, connecting the United States and the United Kingdom and the Azores; of which five are owned by Western Union and five are leased from Anglo-American Telegraph Company. I shall describe the nature of this lease more fully later in this statement. Here again, may I state that it is my purpose to describe later in this statement the legislative authority for all Canadian cable landings, it being my present intention to give you a description of the cable system as it now exists, and then to go into the applicable legal questions.

Of these ten trans-Atlantic cables comprising the Western Union cable system, one entirely by-passes Canadian soil and links New York with the Azores. Of the remaining nine trans-Atlantic cables, four are landed in Newfoundland at Hearts Content, and five are landed in Newfoundland at Bay Roberts.

These nine trans-Atlantic cables landed on Canadian soil are linked with a total of eight so-called "feeder" cables. Two of these "feeder" cables link the cable landings with the United States by means of submarine cables touching no other Canadian landings and making the first landing at Rockaway Beach, Long Island, thence proceeding overland to New York City. The remaining six feeder cables enter the Canadian mainland via Nova Scotia, five of which proceed overland to the American border, entering the state of Maine, at Vanceboro, and thence down to New York City, and one of which extends from North Sydney to Canso and thence by submarine cable to Duxbury, Massachusetts, from which point it proceeds to New York.

More specifically, the following should serve to explain the location and functions of the nine trans-Atlantic cables landed on Canadian soil. Four of these cables were landed at Valentia, Ireland (in the years 1872, 1874, 1880 and 1894, respectively) and these four emerge on the coast of Newfoundland at Hearts Content, where Western Union maintains a one-storey building containing amplifiers, relays and repeaters. All east or west-bound through international traffic comes from or proceeds to New York from this landing via the "feeder" cables which link the landing to the Canadian mainland and, as previously stated, proceed overland to enter the United States at the border at the state of Maine. These four trans-Atlantic cables are what is known as simplex or directional cables and may be used either for east or west-bound traffic but not both ways simultaneously.

Four more of these trans-Atlantic cables, which by the way are similarly simplex operated, were landed in the United Kingdom at Pensance, England (in the years 1881, 1882, 1910 and 1926 respectively). All four emerge on the coast of Newfoundland at Bay Roberts where there is a two-storey brick building constituting the cable station, containing amplifiers, relays, repeaters and related equipment. International through traffic on these four cables pass to and from New York via this cable station either by way of the submarine cable feeders running to Rockaway Beach, Long Island, or over the Canada mainland through the same overland feeders, which I have previously described as crossing the border at the state of Maine and proceeding down to New York City.

There remains but one more cable comprising the total of nine trans-Atlantic cables and this one was landed in the Azores in 1928 and emerges at Bay Roberts, Newfoundland. This is what is known as a duplex cable, being capable of handling east-west-bound traffic simultaneously; and, from Bay Roberts, traffic also enters the Canadian mainland and reaches New York via the overland feeders, previously described.

On May 24th our department asked for certain information regarding the speed and capacity of our cables. The information was furnished quickly and it is our thought that it might be useful to repeat the information here. *Western Union has the following non-loaded cables:*

<i>Anglo-Canadian</i>	1873—1800 L.P.M., 300 W.P.M., 6 channels, 50 words per channel.
	1874—same capacity.
	1880—not in operation as impossible to replace in deep sea area.
	1894—same capacity.
	1910—Same capacity.
<i>Western Union</i>	1881—900 L.P.M., 150 W.P.M., 3 channels, 50 words per channel.
	1882—1200 L.P.M., 200 W.P.M., 4 channels, 50 words per channel.

Western Union also has two loaded cables:

1926—2400 L.P.M., 400 W.P.M., 8 channels, 50 words per channel.

1928—1800 L.P.M., 300 W.P.M., 6 channels, 50 words per channel.

Incidentally, Western Union knows the 1881 and 1882 cables as 1913 and 1915 respectively.

That is because there have been some repairs.

The 1910 Anglo cable was actually laid by Western Union, but is now leased by Western Union from Anglo.

All Anglo cables are simplex—there is no duplex cable, except the Azores cable of 1928.

I hope that the foregoing will suffice to furnish a picture of the Western Union through international cable system. In short, this system constitutes a means of linking by telegraphic cables New York City in the U.S.A. (including all overland points which in turn may be linked with New York City), on the one hand, with the two landings within the United Kingdom and Ireland, respectively, and the landing in Portuguese territory of the Azores (including all points which in turn may be linked with any of these landings on the eastern side of the Atlantic). I believe it is not necessary to go into the various agreements by means of which traffic moves out into what is known as the hinterlands, being the territory beyond New York on the western side of the Atlantic, or the hinterlands beyond the United Kingdom and the Azores on the eastern side of the Atlantic. Suffice it to say that such movement of traffic does occur by virtue of agreements between various companies.

I should like now similarly to describe a second aspect of the Western Union cable system as it concerns Canada, namely, the nature of the facilities for the handling of international traffic destined for or originating in Canada itself when such traffic enters or leaves the Western Union cable system without passage through New York City.

Normally, such Canadian traffic would be routed via the station at Hearts Content, Newfoundland and over a link with the mainland at Lloyd's Cove, Nova Scotia, where, at North Sydney, the company operates a cable station. The link between this station and Hearts Content is established by feeder cables, either owned by Western Union or leased by Western Union from Anglo-American; but the westerly link of the North Sydney station is that established by agreements between Western Union and the Canadian National Telegraph Company, resulting in utilization of C.N.T. overland lines linking this North Sydney station with the Anglo-American office at Montreal and the C.N.T. terminal at Toronto.

Western Union by lease agreement operates the Anglo-American office at Montreal and to that extent any traffic destined for or received from Montreal would be delivered or picked up by Anglo-American in the Montreal office. But any traffic relayed by the Anglo-American office at Montreal, that is, non-local traffic would continue to be handled over C.N.T. lines and by C.N.T. personnel.

At Toronto the traffic remains entirely in the hands of the C.N.T. In other words, Toronto-bound international traffic, for all practical purposes, ceases to be in the hands of Western Union when it leaves North Sydney for it then has entered on the lines of C.N.T. and emerges at the C.N.T. terminal; but we should note a single exception to this statement, namely, that such traffic does pass through the Anglo-American repeater in Montreal and to that extent Western Union, as the lessee of Anglo-American, maintains such repeaters.

This explanation of the nature of the handling of Canadian traffic over C.N.T. lines completes my description of what may be termed "The Western Union International Cable System". You may be interested in knowing about some of the statistics relating to the Western Union cable system as it involves Canada. Western Union's total outlay in Canada on an annual basis amounts to about \$1,800,000 and this breaks down into payrolls at an annual rate of \$1,100,000 (inclusive of \$560,000 for our two cable ships) and nearly \$700,000 covering expenses of all kinds, inclusive of taxes and supplies for the two cable ships based at Halifax. About 275 people find employment as a result.

Western Union's gross revenue derived from Canadian international traffic over its ocean cables accounts for a very small percentage of the total revenues collected by the Western Union cable system which is essentially engaged in handling international traffic between New York and points abroad.

Western Union pays income taxes to the dominion Government of Canada and this approximated \$34,000 for the year 1955; additionally, is paid nearly \$3,000 in income taxes to the province of Quebec. Property taxes covering installations at Halifax, Canso, North Sydney and Montreal as well as a pole line in the Maritime Provinces plus small sums for sales and use taxes approximate \$35,000 annually.

Western Union has a considerable property investment in Canada; the gross value is approximately \$4,000,000 inclusive of very nearly \$500,000 for its cable ships. This sum includes \$750,000 for buildings and land; \$1,100,000 for equipment; and \$1,700,000 for pole lines and underground cable.

Finally, I should like to touch upon the legal situation with respect to the above described operations of Western Union within Canada. I feel that it is unnecessary to go into technical details and therefore I shall simply make reference to an agreement entered into between the Government of Newfoundland and Western Union under date of March 11, 1911, which was duly confirmed by legislative enactment passed March 29, 1911 (Citation—George V. CAP, 8). The following is numbered paragraph 1 thereof:

1. The government agrees to grant to the company the right to land any of its through cables at Newfoundland on terms and conditions as favorable to the company as those under which any other cables, present or future, are granted landing rights and privileges by the government of Newfoundland (save and except any special privileges now enjoyed by the Anglo-American Telegraph Company, inclusive of the right of said Anglo-American Telegraph Company to compete with the government Telegraph system), it being understood and agreed that the Company shall not compete with the government for traffic, nor transmit nor receive business from or to Newfoundland; provided that nothing herein contained shall prevent the transfer or exchange of through traffic by the company to, from or with any other cable or telegraph company.

In addition to the usual formal terms relating to grants of this nature, it was specified that the company was to pay annually on the 30th day of June the sum of \$4,000 in respect of every telegraph cable landed under the grant to a maximum of \$20,000 for such annual charges. Western Union has faithfully performed all of the terms and conditions specified in this legislative grant between the date of its enactment and the present time. In fact, Western Union on behalf of its cable landings (both Western Union and Anglo) has paid the maximum amount of \$40,000 annually through the year 1948, until it was served with a written notice from the Deputy Minister of Finance for Newfoundland to the effect that as a result of the signing of the "Tax Rental Agreement between the provincial government of Newfoundland and the government of Canada", neither this company nor any other cable company with cable landings within Newfoundland would be required to make the

prescribed statutory payments *during the life of the Tax Rental Agreement*. I understand that the Tax Rental Agreement is currently in effect and that is the only reason why Western Union is not now making such payments; but, of course, the payments become mandatory, as stated, upon the termination of such Tax Rental Agreement.

The cables laid in the years 1910 and 1926 were landed at Bay Roberts, Newfoundland, pursuant to the statutory authorization of the Newfoundland legislature. The cables originally laid in 1881 and 1882 and originally landed at Canso, Nova Scotia, subsequently were re-routed (1913 and 1915, respectively) to land at Bay Roberts, Newfoundland, pursuant to this enactment of the Newfoundland legislature. The same was true of the landing in Bay Roberts of the 1928 cable linking the Azores. In addition, all the Western Union owned feeders were landed by virtue of the same legislative enactment.

The four cables landed at Hearts Content, Newfoundland, were originally laid by the Anglo-American Telegraph Company, which in turn received its landing rights from the New York, Newfoundland and London Telegraph Company; and the latter obtained its franchise, rights and privileges by virtue of an Act of Incorporation passed by the Newfoundland legislature April 15, 1854 (17 Vic., Cap. 2.); amended (20 Vic. Cap 1. (March 3, 1857)). Western Union operates these cables by virtue of an agreement with the Anglo-American Telegraph Company, dated March 1, 1912, and expiring April 1, 2010. In addition, this agreement authorizes Western Union to operate certain feeder cables which are owned by the Anglo-American Telegraph Company. The feeder cables touching Nova Scotia were landed under franchise rights granted by the Nova Scotia legislature by Act passed March 31, 1851 (14 Vic., Cap. 17) to the Nova Scotia Electric Telegraph Company. Western Union duly acquired such rights and property by agreement executed in the year 1872.

It seems perfectly clear that all Western Union operated landings on Canadian soil were duly authorized and licensed either by direct legislative authority or by valid agreements with other cable or telegraph companies which in turn possessed legislative authorization. In each instance, necessary property rights on Canadian soil were duly acquired and each cable-head was established in strict accord with applicable terms and conditions. The current operation is likewise fully in accord with charter and contract terms and conditions.

We trust that the parliament will not by legislative enactment either alter or rescind solemn terms and conditions established by legislative and private agreements going back as far as the year 1854. These agreements were made in the public interest and resulted in the establishment of an international cable system; and the public interest would seem to require that this great cable system remain in operation, particularly in view of present world conditions.

In conclusion, I wish to put a number of rhetorical questions which in our view are reasonable under the circumstances, namely:

1. What statutory "license" should now be required with respect to Western Union cable-heads and the various components of the Western Union feeder cables?

2. What "regulations" are reasonably required with respect to formal agreements and legislative grants in existence for decades under the terms of which Western Union, on the one hand, and the private and public parties in interest, on the other, have freely and mutually established their own applicable terms and conditions?

3. Would not the proposed amendment be in the nature of an *ex post facto law*?

4. Would not governmental licensing and regulations in fact result in the rescission, modification or elimination of terms and conditions established in good faith for the installation and operation of the Western Union cable system?

It is our view that the Western Union cable system has been lawfully established, lawfully operated and has resulted in fair and efficient handling of international telegraph traffic. The Western Union cable system poses no threat either to private or governmental telegraph agencies. Its system is available to those who need it and who wish to contract for it.

Under the circumstances, we can think of no reasonable basis for injecting either further governmental licensing or further governmental regulating of the Western Union cable system into the present operating and legal structure thereof. We know of no problems or abuses with respect to the Western Union international traffic operations which call for governmental interference of any degree. Since we are both licensed and regulated *in fact* by virtue of the special legislative authority and the specific contractual terms relating to our cable system, we consider that Bill 212 if enacted would enable the government to impose onerous conditions applicable to international cable operations, in direct contravention of Western Union's special and specific legislative landing authorizations.

The trans-Atlantic cable system of Western Union does not include either voice bands or coaxial cable; and the company has no plans with respect to these modes of traffic handling in the foreseeable future. The Western Union trans-Atlantic cable system utilizes single conductor cables passing low frequency (up to 100 cycles per second) (multiplex code) telegraph signals. These cables basically are those originally laid and kept in repair and operating condition.

Western Union no longer transacts wire-telegraph business in Canada. The only offices (other than relay stations) maintained in Canada consist of the Anglo-American office at Montreal which I have described as handling local Montreal international traffic (page 4 of this statement) the cable depot at Halifax, Nova Scotia, and a sales office at Toronto, Ontario.

Western Union has contracts in effect for the transmission of cablegrams in Canada with the Canadian National Telegraphs and the Canadian Pacific Railway Company, the latter covering traffic exchanged at the border only.

Western Union does not have in contemplation any increase in the number of its present geographic locations within Canadian territory (that is, its cable stations or gateways) for the handling of international traffic originating in or destined for Canada.

Accordingly, we urge either the elimination of the amendment in its entirety or a specific exemption which would render the amendment inapplicable to the Western Union cable system, including its landings and applicable leases and agreements with respect to the handling of international traffic originating in or destined for Canadian soil.

I desire to thank you for this opportunity to present this statement on behalf of Western Union.

Mr. Levett, if you will hear him, would like to read a short supplementary statement now.

Mr. Robert Levett, Counsel, Western Union Telegraph Company, called:

The WITNESS: Mr. Chairman, the first two or three paragraphs, generally speaking, duplicate one or two of the principles which I outlined in the prefatory remarks. But in the course of the statement itself we supply more or less an affirmative answer, and to that extent I would like to read it as written.

This document we have captioned, "Supplementary memorandum submitted on behalf of Western Union Telegraph Company."

The company became concerned about the broad language used in the amending act, which contains a prohibition against the construction, alteration, maintenance or operation of any cable or facility, except under license, and with nothing in the regulations to state or define the terms upon which licenses are to be granted and leaving all provisions of the licenses within the discretion of the governor-in-council.

The company does not consider that it should comment on a matter of a domestic nature in the Dominion of Canada, nor on principles or related matters within the powers of the minister.

Or, I might add, of you gentlemen.

The company feels, however, that if the language of Bill 212 is so broad as to appear inconsistent with the purposes of the bill, that the language of the bill should be modified to conform with the purposes.

May I interpolate this explanation? I am informed by our counsel, Mr. Macdonald who says that the real statutory interpretation here is similar to our own, namely: a statute is interpreted within the four corners of its own language. Therefore, legislators have what I like to consider a sort of awful responsibility, that, to be trite, their words say what they mean, and mean what they say, but I think that is a good way to state it.

That being so, of what avail is there in understandings within the walls of the committee room, between legislators, between company officials, the minister, his staff, and all concerned when in the last analysis the words enacted must speak for themselves? I feel, speaking personally, that there is enough trouble in the courts. Forgetting the courts for the moment, because, generally speaking, we ought to expect reasonable differences between reasonable men, which differences arise from reasonable misunderstandings, if I might use those terms. That, today, is the real trouble. It is difficult to use words that would protect one against a man who attacks in bad faith. So, I say, one must look at language from the point of view of good men sitting down in good faith trying to understand it. I say, it would be a pity that there should be differences, trouble, litigation, and misunderstanding because of language, which language alone caused the differences. So, at least the purposes of language here, in this nature, should be to eliminate the things which are not the subject of discontent, or dissension. All we are saying here is that in heaven's name, let us at least eliminate all the things to which it is clear the language is not intended to apply.

Officials of the company have read with interest the remarks of the minister as contained in the House of Commons debates of the 3rd of July, 1956, particularly at pages 5615 and 5616. The minister first stated that prior to the introduction of co-axial cable the old submarine cables had obtained a total speed of 500 words per minute, and he added that if the change in the capacity of a cable were to remain within that range there might not be cause for great concern or for legislative action, but that the development of co-axial cables had changed the whole situation and he gave the illustration that the new Trans-Atlantic Telephone Cable will have a capacity equal to about forty times the capacity of all existing Trans-Atlantic cables. He then said that the introduction of the co-axial cable has completely revolutionized the whole picture of trans-oceanic communications and said that in those circumstances the honourable members would appreciate the necessity of amending the Telegraphs Act in order to meet the situation. He also said that there might be no objection whatever to granting permission for a cable to carry through traffic, while there might be very real and valid objections to the provisions of facilities additional to those already established, to meet Canadian requirements.

The Western Union Telegraph Company's cables have a speed of less than 500 words per minute; they have no co-axial cables and no plans for laying them; and their domestic traffic within Canada is over the leased wires of Canadian National Telegraph Co.,—

Let me interpolate in answer to a question that was raised earlier. So far as I understand it, our C.N.T. general contract expires October 1st, 1959—and they feel that their existing facilities should be exempt from the wide language of Bill 212.

The company feels that the language is so broad that it is inconsistent with the purposes which the minister has stated he has in mind, and the company suggests the addition of the following language to the bill:

Now, here is really the purpose of these additional remarks: we suggest that if any of these numbered provisions, which are really exceptions, meet what the minister, or what parliament or what the sovereign has in mind, using either of those words, we have no pride of authorship. Or to put it another way, the language as written certainly would not mean any of the things I am about to cover a proviso. As written they would not. Therefore, there must be an obligation, if it is intended to achieve any of these results, to say so. Now, I say, no pride in authorship, but just a suggestion.

And this is a direct quote that we think these words could be added to the bill:

1. Provided, however, that all existing cables and related installations and equipment shall be deemed to be licensed within the terms of the amending bill by virtue of existing grants, authorizations and franchises.

Now, one word of explanation; in other words the proposed bill would be effective prospectively, only. Now, I do not want to trespass on the limited time, but it may forestall some questions if I just add this one thing: if anyone is worried about the co-axial cable—and we are not saying they should, or should not be—but if anyone is worried about what would happen if further outlets were opened in Canada—ditto.

It is not for us to say whether it is or is not a matter of serious concern. Why talk about the necessity of licences, authorizations and franchises of cables? If I may be allowed to put a rather simple illustration, which I hope is not out of place, my first reaction when I read it was that we can assume a couple who have been married for 50 or 60 years and who have grandchildren and ever great grandchildren; they were married in a civil service as well as in a religious service and they have their original charter, so to speak.

But suppose the registrar of vital statistics or somebody from the local authorities should come around and say that they wished now to licence this union? They might say, well, in other words, that is like having another civil ceremony. There is a custom in some cases of having a remarriage after 50 or 75 years. So far as that is concerned, it is just a matter of choice; but I wonder however if it should be made a matter of law!

The analogy may be said to be crude and it is admittedly crude. We were licensed, authorized, franchised and chartered in our original landings, but is that all? Oh no, that was only the civil ceremony.

We then proceeded, and in every instance here, Western Union did it this way, with the appropriate authority and these forms of procedure and requirements of 1922, and we went through the second step of pointing out that we were authorized to land, and that we now contemplated landing, and we specified the terms of the technical distribution, and we got the second blessing.

So you might say that the legislative enactment by the colony of Newfoundland was really the religious marriage ceremony, because I have seen the written agreement and I have seen the original instrument which authorized the landings, and then we went to the legislature of Newfoundland and they ratified it, and that was the original and total ceremony.

Thereafter we were in a position similar to that of Commercial Cable Company under the terms of this act, so that for the further obligation of authorization to land—even our last one—we have done that. They are here, all these authorizations, and we have the licences; however this additional part intends to add another licence to our collection for the purpose of which, the first proviso, is to say simply: can't you waive the issuing of the physical document? And you gentlemen have read the amendment showing the original licences as they now exist and that they are deemed to conform to the licence requirements of this new part. Do we need another piece of paper?

That is all I mean by the first part, and I suggest perhaps we do not even have to be deemed licensed; but if Canada feels that some sort of re-licensing of any kind must at this time for some purpose which I cannot see clearly be issued to Western Union, at least it should be done by a broad formula as they say. The second suggestion, and this is a quotation, reads as follows:

2. Provided, however, that this bill shall not apply to existing international submarine cable systems established by valid grant or other authorization.

That is what I have just said. Now, No. 3 and finally:

3. Provided, however, that this bill shall be limited to international submarine cable systems with respect to traffic originating in or destined for Canada.

If what you are worried about is your Canadian outlets, then even so;

In other words, since the minister intends to obtain legislative authority, with respect to Canadian business, we suggest that the language should be phrased accordingly. The company sees no purpose in broader language than is needed to carry out what the minister has in mind.

The company merely seeks clarification of the amending bill.

If the language of the bill is such that under it through traffic can be taken over that is a matter which will be most disturbing to the company and to its shareholders, but if such is not the intention, and the minister has said that it is not, then the company submits with the greatest of respect that the language should be limited to defining the purpose of the bill clearly and so that no ambiguity can arise.

I thank the members of the committee and the chairman for allowing us to add these supplementary remarks.

Hon. Mr. MARLER: If nobody wishes to question Mr. Levett, then I would like to make a few remarks. However, if there are any questions, I shall be very glad to wait.

By Mr. Hamilton (York West):

Q. I was interested in that date of 1959 as the date on which your contract will expire with Canadian National Railways Telegraphs. When was that contract signed?—A. I do not know. I know there have been a number of informal arrangements, some of which were not reduced to contractual language, but my recollection—and it has been many weeks since I went into the matter—is that it was originally a short term contract.

Q. Has it been in existence for several years now, either as a short term contract or with renewals?—A. Oh yes, but as and when I cannot of course answer. Our contacts with the Canadian mainland end at North Sydney and we go landwise only into Nova Scotia. From then on any contacts with Canada, with Canadian traffic, must be done by means of C.N.T. or C.P.R. That has been the arrangements for years.

Q. If it expires in 1959 you are getting on towards the end of it. Have you had any negotiations for a renewal?—A. I do not know, but I can find out. I assume there have been some talks.

Q. Do you know if there is any reasonable expectation that it will be renewed?—A. We hope it will be renewed and we have heard nothing to the contrary that I know of.

As I have said to you before, in the preparation of this matter we confined our work to that of digging out chronologically the sources of our international cable system. In the course of that work I found nothing to indicate that in the foreseeable future Western Union would change its method of operation technically. I think I can state that firmly.

As to its contractual arrangements, I know of no reason to expect that in the foreseeable future there will be any different contractual set-up.

Q. C.N.T. handles the work from the domestic standpoint in Canada, but at the same time you have used the word "outlet" yourself at one stage of your talk. How many outlets do you have in Canada?—A. Honestly, that word "outlet" has me baffled and I cannot answer your question in that form.

Q. Maybe I might reword my question and go back over it again. You used the expression at one stage about having the right to land, and I think that your inference was that it could not be distinguished from the right to distribute. —A. I did not say that; but if the chairman will allow me to explain the reference to it, I would be glad to do so.

In the course of my pregatory remarks and in referring to what I heard here yesterday, I stated purely as a comment that I was a little confused by this reference to 24 outlets and I said that I felt the word "outlet" should be given further specificity. That of course applies to landing. If one talks about an outlet in the broad sense, what else can it be? Here is a cable coming in from the high seas and it finally touches Canadian territory. It emerges from the sea and it reaches private land and is there located in a building. Now for the purposes of that cable, that conductor, it is an outlet. That is all I can say; but in response to the gentleman's question, Mr. Chairman, I might add this: that if I were a salesman and attempting to solicit business, an outlet would be any location which was capable of handling the goods or services which I sold, and I daresay that the word outlet and particularly the words "domestic outlet" generally speaking would mean an office of some kind.

If I wish to send a message to my wife in Connecticut, I would go to C.N.T. which I presume has the domestic outlet—and even that is not technically accurate because it is an outlet for messages destined for this area. But supposing I filed a message. Is the outlet for a message originating here? Of course it is; so the word "outlet" cannot be used literally.

Outlet, I suppose, is the location where messages destined for or originating at that particular point may be handled.

Q. May I take it one step further? I assume that if you had 500 places—Canadian National Railway Telegraph offices in Canada—you would require a greater proportion of physical facilities with your cable, and you would be devoted to that business and you would be distributing from more landing places than if you only had 100 offices?

Hon. Mr. MARLER: Surely it is a question of the volume of traffic rather than of the number of places that are selling it.

By Mr. Hamilton (York West):

Q. That is fine. Well, have you at any time felt that you were restricted in the use of any physical part of your cable facilities once you had landed and had the right to land your cable in Canada?—A. That is, has Western Union felt that at some time they restricted us?

Q. That is, that you are restricted in any way in the use of your physical facilities once you had the right to land your cable in Canada?—A. I do not know if I can answer that because we have always landed our cable strictly pursuant to the authorization. Therefore in a technical sense we do not say what technical step we would take, but from a traffic point of view, we say that we would follow the appropriate authorization all the way.

Q. In other words, you have always regarded the situation as one in which no matter what business arose at the sales level of the Canadian National Railways Telegraphs in Canada you could make use of the appropriate physical facilities and carry the messages with your cable?—A. Of course we were not concerned with the originating traffic because our actual arrangement with C.N.T. is just that whatever traffic might be offered under that agreement originating at a specific point, we would handle it; but if your question has in mind whether or not we have been able to handle the volume, the answer is yes, we have.

Q. You have never felt restricted as to whether 25 per cent of your physical activity, or 50 per cent or 75 per cent was devoted to handling Canadian traffic?—A. I do not know what you mean by restricted; we just handle the traffic as it comes in and we have not had any occasion to feel restricted.

Q. I think that is the answer, but if someone came along to you now and said that you could only devote 25 per cent of your physical capacity to the handling of Canadian traffic, you would feel at that time that they had moved into an area which they were not entitled to be in.—A. It would depend on who decided that they do it.

Q. If it is enacted?—A. I cannot answer your question in that form. We have operated very well and we are ready for business today as well as tomorrow.

Mr. HERRIDGE: I can see that!

The WITNESS: That is about it. We are here because we hope that will continue. We are not saying that there is any present threat, but we are asking a rhetorical question: are you threatening our present operations?

Having in mind the use of the word "restricted" what we would like to have is information. Do you intend to restrict us, and if so why?

Frankly, I have read nothing in the report and received no information during the course of yesterday or today which would indicate any particular effort regarding our operations as to which legislative action is necessary. When you use the word "restricted", you have in mind a purpose; and I would say that before you do anything which would restrict anybody, you should define what you are attempting to restrict. So I throw right back that point to the committee and to the minister and say "What is there in the Western Union operations today, tomorrow, next week or next month, which you feel should be altered? At least tell us that?"

Perhaps there is something we can alter of our own accord.

Q. You have premised your remarks by saying that engineeringwise you are not qualified to answer. Would you say that a coaxial cable is a technical advance which would be a feature of any new cable being laid at the present time in the ordinary course of events?—A. I really don't quite understand your question. Do you mean the next cable which might be laid?

Q. Which any company in the business would lay, if they were required to do so.—A. Would it be coaxial?

Q. Probably that is what they would want to do?—A. It depends on what they are doing in the laboratories now. It is hard to tell what kind of a conductor will be used. Even as a layman I know that developments in radio have eliminated some of the "bugs", and it may be so with your coaxial. When you look into the technological future, you need to have a special ball, a crystal ball, and I certainly do not have it.

Q. Have you any knowledge that if you were replacing or renewing any cable in your company today—not tomorrow or five years from now—whether or not a coaxial cable would be laid?—A. I really cannot answer that question. I could not say as to whether or not they contemplate within the foreseeable future the laying of a coaxial cable.

Q. Has there not been some situation which has arisen in the United States in connection with the merging of the various operations there which would indicate that your company will be required to go out of the foreign communication end of its business, the external cable end?—A. Mr. Chairman, I think I understand the first portion of that question, but may I ask if you are saying in the first part—

Q. I understand that there have been certain expansions in respect to your company's activities in the United States by merger or otherwise, and that as a result you are going out of, or you will be going out of the external communication end of it in the future.—A. I did not intend to be facetious, but it just so happened that away back in 1942—I may be out five or six years—there was an enactment by our Congress which permitted the merger of postal telegraphs and Western Union. But as part of that legislative enactment there was an obligation on the part of Western Union to divest itself of its international cable system.

I sought clarification of the question because that is an old story with Western Union. We have been trying to sell our cable, and you can well imagine that the field of buyers is pretty well restricted. But so far as the present is concerned, we do have an agreement which probably could be called an agreement to sell, but it is really an agreement to make an agreement to sell, and the parties are discussing the matter with respect to a sale.

Q. I do not think it is an unfair question to ask.—A. No, it certainly is not.

Q. Because I wonder if that would have any connection with the fact that you have plans in the foreseeable future to utilize what I believe would be a fairly major technical advance in construction?—A. Well, I want to be strictly fair about it. I cannot say factually that the fact that we are bound to get out of the international communications field plays any part in our future planning because that would not be so. But I can say this: that we are operating an international communication system of which at least one-half is under a 99 year lease which will expire in the year 2010; and we have obligations under that agreement to restore those assets including its cables to the company's lessor and therefore we must maintain them.

Certainly if we were to abandon those existing cables and go into the field of coaxial or anything else, then when the year 2010 rolls around—I think it is fair to say that eventually we will reach that year—the success and interest in them will be a significant part of this agreement which has existed since 1856 or 1857, this American corporation—and I think it is fair to assume that there will be successors to it—and that when they ask for compliance with the terms of our agreement, we had better have some assets to return. So certainly this would be fair to say, speaking from complete technical ignorance, that it is a fact of life that we must operate the cable system as we now have it, and it is not a coaxial.

We are satisfied with the way it is working now. It is a good system and it is handling our needs. We see no reason to abandon it, and the fact that most of it is on lease is a good reason for not abandoning it.

Q. Under the terms of our leasing agreement, are you under any obligation to maintain it?—A. Well, we must operate and maintain it, certainly.

Q. But there is nothing which requires you to improve it?—A. No, not technically or basically to alter it; in other words, we are not obligated to swap it for a coaxial cable and to return a coaxial cable in the year 2010 for the old conductor.

Q. You may not want to answer this question, and if so I shall not pursue it; but could you advise us if the party with whom you are negotiating would include any governmental agency of any kind either in the United States or in Canada?—A. There is no secret about it. We are dealing with a private American enterprise. Their representatives are talking to us, and they are looking at the assets and trying to make up their minds about it. And I might say that the thought has occurred to me that perhaps the pendency of this action is a factor which ought to be brought to their attention if it has not been done so already.

Q. There has been no discussion with a governmental agency here as to any part?—A. No. This is entirely a private agreement. Its terms are subject to our doing certain things and we are trying to do those things.

Q. In connection with those negotiations, I would assume that in 1959 the expiry date with C.N.T., that it must have completed its part?—A. It is a factor all right. If you bought an international cable system and if you were able to include in it assets relating to domestic traffic, you would be concerned about the renewal quite understandably.

Q. So it would be reasonable to suppose that the purchaser would get a renewal handed over to him as part of the agreement?—A. That is a matter of time. If they clear up this matter before 1959, then the purchaser will have to make up his mind whether or not to go ahead, or to renegotiate in advance.

Q. It has not produced any urgency in the discussion at all for you to have brought it up?—A. No.

The CHAIRMAN: Are there any further questions?

By Mr. Leboe:

Q. I wonder if the witness can tell us whether or not they would be content with the suggestions made providing they were in a position that they wanted to go into something further? What I am thinking about is the situation as I see it, namely, that you are contending yourself not on a matter of principle but on a matter of how it affects your company? Is that true?—A. That is right. We are seeking clarification of what we call broad language, and we want to know what is intended by this legislature before we evaluate our legal position. It seems to make sense to us that we should determine what the threat is to us. If all that is intended, so far as Western Union is concerned, is to require us to answer a lot of formal questions such as we have already answered on the forms of the Dominion Bureau of Statistics, we will then automatically get some sort of okay. That is all.

Q. You are not actually making your presentation here today on a matter of principle, but just on how it affects your particular company?—A. There is a principle involved in this respect—if the chairman will allow me to explain it. I shall pick up something which I would like to say as a result of a question asked by an hon. member a moment ago, and combine them. Let us not oversimplify this matter.

Western Union has no basis now for concluding that it will succeed in selling its international communications system. We just had not been able to find somebody who was interested. That is an old story. However, we have an interested purchaser at the present time.

We have been under a legislative mandate to divest ourselves of this international communication end of the business and Western Union looks at this intended legislation at the moment in this fashion: first, what is intended? Once we know that, then both we and our purchaser will know the value or lack of value of our present assets.

If the intention is to set up some sort of control which will compel us to alter or to restrict our present operations, and if the intention is to create various taxes or conditions or regulations of some kind which would so hamper our international operation that it would not be economical and sound to keep on, then we would have a legal question as to whether or not we ought to terminate our Anglo lease for example, or what we should do about it.

We would lose the purchaser, that goes without saying; and it is perfectly clear that if parliament during this session enacted some laws which prevented the Western Union from having an international communication system, it might cost us the loss of a purchaser.

We had landing licences in the United Kingdom, but they have expired. When you land a cable you know you have landed something. So our domestic landing rights having expired, we have been for decades continuing to use the United Kingdom cable head as if we were licensed. Now, a purchaser comes along and one of the conditions is this: what about your United Kingdom landing? Very well, we must implement by obtaining United Kingdom landing permits, and we are in the process of doing so, and we hope to get them. So Western Union has no reasonable basis for not concluding that it is not in the international field, and I assure you that whatever you do it will not harm us, but just the contrary. Perhaps that over-all statement will suffice to answer the last question.

By Mr. Green:

Q. What would be the effect of your position if this licensing control included control over the routing of traffic which originated in Canada?—A. Before I answer that question I would like to know how that could be done? It is quite a trick if you can do it. We do not have to be telegraph men to know that the day to day routing of traffic is an operating problem and that it has always been handled as such.

In our presentation as read by Mr. Macdonald, we say that a cable system is a type of communication system in the way of a series of fallbacks of alternative routes. Your day to day routing of traffic depends on many factors and I shall not waste time trying to go into them. I just wonder how anybody not operating with personnel directly and handling a volume of traffic, can say that you should use channel 1, channel (b) or channel (c). I do not see how it could be done.

Gentlemen, we have a submarine cable which goes directly under the water to the United States, and we use overland features; some Canadian business goes to New York and back, but it is combined on the basis of load and other factors. There are so many technical aspects with regard to control that it almost sounds silly to try to enumerate them as I see it, and if we attempted to say that you might use channel (a), that would amount to an undue interference in the operation of our business.

Q. I asked you that question because the minister said as reported in *Hansard* that he should point out that perhaps a licensing system would enable us to exercise some measure of control over the routing of traffic originating in Canada.—A. I understand that one of the real reasons I am here is this—to find out what that means. I hear words which are familiar to me, but what do they mean? Are you asking for some measure of control by putting an employee of the government in an office side by side with the superintendent and giving him a chair alongside him and saying how he must handle the load? Gentlemen, that is rot!

However, I must be truly fair about it, and I have heard enough so far to indicate that the minister in using—in making that statement is not using it in an operating sense; and I gather from what I read in *Hansard* that the intention is to see to it if it is operationally feasible that the Canadian authorities should use Canadian facilities.

Now, that obviously is a reasonable objective. Representatives of Commercial Cable have indicated their agreement with that principle. We agree, and I simply add this thought, that is precisely what we are doing since we have no facilities to the main land other than C.N.T. So, what more do you want by way of control?

Mr. Chairman, may I conclude by adding this thought: if one were to bear in mind a specific picture, then it all makes sense. If the minister is talking about the coaxial cable, about the new outlets—in other words, if he is talking prospectively, then, Mr. Chairman, this is understandable. If the minister is talking about the situation, the system, the operating practices as they exist today, then we are disturbed, because the only basis upon which any disturbance, or control of any kind, could reasonably be injected into the present picture, would be by procedurally starting out with the specification of some evils.

Now, as the lawyer says, “whereas” for the past weeks, or months or years, certain evils have arisen because traffic which should have gone over Canadian facilities has been by-passed, and so forth, and after a lot of “whereases” and a lot of time, then you come to the “now therefore,” hereafter we are going to stop that. Now, I have heard no “whereases” so I might say this: that to me,—and it is just one man’s opinion, and I could be entirely wrong,—but it strikes me that if one were to eliminate the coaxial cable, the 24 outlets, and the application of Commercial Cables, there would be nothing to talk about here.

Let me just put it one other way, Mr. Chairman, if I may. May I use this analogy, and I will save you some extra work: picture going to a policeman and saying to him, “My car has just been struck by another car and the driver has gone away”, and the policeman says to you, “Have you a licence”, and you say, “Well, yes, I have, but this fellow has just struck my car”. Now, the policeman says, “Forget about that. First I want to know whether you have a licence”. For a half hour you look through the glove compartment, or better still, he gets in your car and you drive to your house and find it in your dresser drawer. He says, “Now, I know you have a licence. What is this you were complaining about”. That is a rough analogy.

But, let me put it this way: the cable system, the international cable system is functioning beautifully. We, at Western Union, have heard no indication of any kind to the contrary. Every application we filed with respect to these cables was duly considered, carefully investigated and duly approved. Now, we have complied with all the laws and we have filed with the Dominion Bureau of Statistics; we have paid our income tax, and no government agency has found fault with us at all.

Now, what happens? Our competitor, Commercial Cables, files an application for what? For a coaxial cable and for 24 outlets. Well, again, I do not want to define that, but let us assume it is for two things.

Now, in the course of the discussion of this agreement Western Union is called before this committee, because of what? A legislative threat against its cable system. But, more than that. How does the policeman analogy come in? Also the Commercial Cable system, other than the one that is under the special application, is also involved.

Now, all I am saying is this, if the application is not properly granted, and if there are reasons for denying it, and of course I understand that, but where along the line of the day to day operating procedures—take since 1950—did

someone create the path which led to the necessity for legislative enactment which would not only disturb the Western Union system, which was not involved in the application but that portion of the Commercial Cable system which was not involved in the application. Even if Western Union were out of the system, Mr. Chairman, out of the orbit of this enactment, if this law is enacted, the Commercial Cable Company,—and I am not arguing for them, I am just summarizing factually the way the thing sits as I see it—Commercial Cable Company may or may not get landing rights, and does not get its 24 outlets. And supposing that it was to withdraw its application in toto—and this is possible—it winds up with legislative enactment against that which it had. To go back to my analogy, the hit and run driver has disappeared. If I might roughly call the coaxial cable the third party, and the result of going to the policeman is a trip to your home to find your own legal licence.

Now, maybe I have gone afield, but my thought is, where along the line of the past five or six operating years of history did we get to the point where somebody feels that the old, not the new system, requires controlling?

I say that is a rhetorical question, but that is one of the reasons that we are here.

Mr. HERRIDGE: Mr. Chairman, I just wish to say that we have had a very interesting discussion from the witnesses, but I am beginning to think that the committee, and all concerned, have reached the point where we could much better begin to assess the situation by hearing the minister's statement, and hearing from him what he intends to do. I think that will save a great number of unnecessary questions.

Mr. HOSKING: I would like to ask one question, Mr. Chairman.

Mr. CAMPBELL: What was the reason for the order given you to divest yourself?

Hon. Mr. MARLER: That was an order of the United States government, was it not?

The WITNESS: Yes. One of the terms in the legislative authorization to take over the other land line, postal telegraphs, was investigated by International. There were many reasons behind it. I do not know the particular reasons.

By Mr. Hosking:

Q. Could I ask a question, Mr. Levett? What mechanical equipment or electrical inventions have taken place that would enable you to increase your facilities in the existing cables, in the last 10 or 11 years?—A. You mean the capacity of our cable?

Q. Yes.—A. Well, one was mentioned. The conductors were treated in such a fashion that they were more efficient. But, basically in our industry—remember, I am not a technical man—we have been able to develop repeaters, which are units doing just about what the name indicates, and which again result in a more economical use of the conductor, and by the use of these repeaters we have been able to increase the number of channels.

Q. How much increase have you got from the repeaters, from these inventions?—A. Again, I am not a technical man, but we have a tandem repeater which we can use, and we can increase a six-channel circuit to a twelve.

Q. Twelve?—A. Yes.

Q. You can double them?—A. Yes.

Q. Would you think then that this legislation, this intended legislation might be some means of taking care of any future developments which might take place that would, say, double it again, which would be the square, or four times as much?—A. Well, Mr. Chairman—

Q. When you come to lay a new cable, you have to apply for a permit, and the government has some control. But, when you put on these mechanical devices, these new inventions which automatically double the facilities without changing anything, the government has not very much control. With the inventions that are coming out of the future, do you not think it is reasonable that the government should ask for this type of control over these things? Is it unreasonable now for the government—if you had to lay a new cable to double your capacity the government has some control, but by putting on a repeater you double the capacity of your line without any application or without anything. Now, is it unreasonable for the government to ask for something to enable them to keep in contact with what is going on?—A. Mr. Chairman, I want to answer that, but I will not be able to answer that in a sentence. I am mindful of what I heard some of the members saying about wanting to move this thing on, so if the chairman will give me two or three minutes, I will be glad to answer because I do not want to prolong this hearing.

Mr. HAMILTON (*York West*): Before you answer it, would you relate the question to a situation where General Motors gets a special welding machine and turns out two cars instead of one for the same money, whether the government should look at that too.

Mr. HOSKING: The provincial government requires the licensing of those two cars.

The WITNESS: The reason I made the statement, Mr. Chairman, the reason I went through the formality of requesting your permission to answer this was because the honourable member has now put Western Union in the position where we must depart from our prepared text. We said we were not here to argue principles, we were not here to say anything about our legal position, and that question asks us, in fact, something about our legal position. Now, if it will be borne in mind that we are here in order to find out what is intended by the law—

Mr. HERRIDGE: So are we.

The WITNESS: Mr. Chairman, if it will be borne in mind that until we know that it would be silly for Western Union to comment, and if the member will consider what I know and want to say, my own remarks, off the record, I am willing to give a statement. But here again, I certainly should not be instrumental, even indirectly in phrasing the language.

Now, with that perhaps unnecessary preface, let me put it this way: if Canada should enact an amendment to the Telegraphs Act, which amendment would seek to override the reason, or to alter the legislative grants of the administrative authorization and the contracts, which we have enjoyed and earned, I might say, down through the years, Western Union's position then would have to be, of necessity, that there could be no taking of its property, without compensation, and there could be no infringement on its rights.

Now, when such an enactment reached the point where we would take that position? Well, if the law would give to any authority the right to go in and count our repeaters, or check the number of units in the repeater—if, in other words, our laboratory, technical and other staffs are to go ahead in their research to develop this equipment, subject to the over-all mandate of this legislature, that it is not going to do us a bit of good, because, after we have perfected the equipment we have to get permission to use it, one of two things will happen. We will not develop the equipment, or we will go to the courts and state that the act is unconstitutional.

Now, let me back track. It is a matter of common sense, and our courts state that we were authorized to land, to maintain, and to keep in working order these cables.

By Mr. Hosking:

Q. Those were quite serious restrictions too, were they not?—A. Yes, of course. But, generically they were referring to these conductors. I would say this, that any increase in the capacity of these cables by means of repeaters, which make the conductors more efficient, would clearly be within the terms of our authorization. Because, if you will read all that was said about those authorizations, and if you will read it all, it is perfectly clear that the colonial legislature did not intend that we should lay a certain piece of wire and only that piece of wire. They knew it would break, they knew it would be repaired, they knew that the state of science was such that it was advancing; and therefore one did have to apply the rule of reason.

I would say that when a six-channel conductor becomes a twelve-channel conductor, I see no cause for alarm. I see no reason why the government should feel that we are getting more than we should. And that seems to be within the limits of the venture that we undertook.

However, without knowing where to draw the line, if a simple repeater is installed which, say, radically changes the basic nature of the conductor, so that now it will handle 200, or 300, or 800 channels—I mean, where you reach a point where a reasonable man could reasonably say that it is no longer a submarine cable operation, then I would agree that the government could have another look.

Q. Would you not think that the time to make these changes would be before that happened and not afterwards? That is the changes in the line? Remember, when they first gave this company the right to land this cable, they put on restrictions that they thought at that time controlled what they were doing. Now, we find that it does not just mean exactly what it meant 100 years ago, or 70 years ago. Now, do you think it is unreasonable to take a second look at this thing and put it into a modern streamlined form so that we have similar controls today as those that were in existence 75 or 100 years ago?—A. Mr. Chairman, there are three questions there, maybe four. May I respond by saying this. If your assumptions are factual, the answer is yes. But, I submit that your assumptions—they are not erroneous, mind you, I am not quarrelling with you, but your assumptions are not strictly factual, because the Western Union international system today is, generically and basically, precisely that which the legislature of that day had in mind.

Q. Quite true.

Mr. GREEN: Let him answer the question.

Mr. HOSKING: Let me ask—

Mr. NICHOLSON: One at a time. You asked three questions before, let him answer them.

The WITNESS: I do not want to argue, but it was my thought that if we had a coaxial cable, which we slipped under the ocean and labelled 1873, and we gave it now the same label which was originally authorized, and by this metamorphosis, of engineering skill or scientific skill and know-how, placed beneath the sea; then, of course, we would have departed from our authorization.

But, bear this in mind, that every landing made by Western Union was made by those authorizations, where we are the assignee, and it is the original landing, the original authorization. Every alteration and the maintenance of that work is pursuant to the original authority.

Why, we were told that we could bring in duty free that equipment necessary to keep it in operation. So, it was obvious that the granting authority expected the wind and the waves, and the fisherman's hook to cause trouble.

If anyone can point out to me, as a layman—and I suppose that would be the approach—wherein our cable system today has changed so radically that those long dead, who originally authorized it would not recognize it, or at least would say “We want another look at it”, then there would be some room for taking some present action. I think the confusion lies in the blurred line. One is thinking coaxial, but writing a law that will not apply to coaxial, but to the authorized landings here.

Mr. HAMILTON (York West): Hear, hear.

By Mr. Johnston (Bow River):

Q. May I ask the witness a question? He has made it so simple that I have become confused. I think the minister has almost reached the point where he is going to throw this thing in the waste paper basket. I know I cannot understand it. I think the witness had explained several times that they did not intend to expand their facilities, technically. I was a little confused by that term. I was wondering just what improvement you could make on your present cable system to keep up with this coaxial cable that is to be laid. Now, you have suggested on several occasions that the whole argument arises because of the laying of this coaxial cable.

Now, I would think, if that were permitted and this coaxial cable were granted, and the laying of this were granted, then you would have to have some technical improvements. Now, I cannot understand why you say in the one case that you do not intend to extend your facilities, technically and then just a minute ago you said, “Well, of course, you can improve the present cables by putting in relays, or expanders”, or whatever you call them, to double, or maybe triple it, if I got that right. Do you intend to improve them technically, or do you not?—A. Mr. Chairman, here again I have kept track of four questions. I am certain that I cannot answer them in less than two or three minutes. I am perfectly willing to answer them, but I hope the members will not be impatient.

Again, I submit, Mr. Chairman, I am being very serious about it. I am not thinking of it—it is not an accurate resume of my testimony or assumption.

Q. I understood you to say that you did not intend to extend your facilities technically. That is what I wrote down. Maybe I am wrong. —A. Let me tell you what I did say. I am full of these details and I know what I said, and then go on to your question. I think it is a very fair question. I said that we have no plans now, or in the foreseeable future to go into the coaxial cable.

Q. I thought you said you had no intention of expanding technically.—A. I will come to that in a moment.

Q. Maybe I am getting my terms confused.—A. To the extent that we are not in the coaxial field now, or in the foreseeable future, we are not concerned with any difference with respect to the coaxial.

Q. I understand that perfectly.—A. I am willing to say that if we were going into the coaxial we would recognize that this would be something of a departure from our normal cable operations, that would require some sort of approval. On that Commercial Cable does not disagree. Now, the significance of that is this. Even if we were going to lay an old type cable, we would have to file, under section 22 of the old law. We do not have the right, and Commercial Cable has not pressed the right, to go out and lay a new cable simply on its own say so, regardless of whether this is brand new, or unusual device capable of swallowing all the traffic over all these old “itty-bitty” conductors.

We start with section 22, and we file an application to the government. They, in council, will make such terms and conditions as the public requires.

I might say that if at that time they think this additional cable, or this coaxial or call it what you will, will cause some kind of problem, I do not see why his action on the petition cannot be on the basis of substantive terms and conditions. You say "control" well, whatever it is that one could reasonably foresee could then flow from that application.

Now, so much for the coaxial. I do not want to use the word, so far as we are concerned.

Now, so far as technological developments are concerned, Western Union may change. I have had a matter of matters which called for familiarity with our equipment, so I have become a little bit of an expert, but do not take that too seriously. We have made up little doll pins, or little units that perform new functions, and for which we work out substitute units which make it fool-proof—you do not have to oil them or dust them, and the life may be two years instead of six months. Now, we are constantly going over our equipment. As you can understand, it is subject to the elements. We are changing the kind of metal—we have a plant down in Chattanooga where we fabricate our equipment.

Now, technological development has to be a constant thing. We have units that work fine, but in moist atmosphere they go. So, we are always engaged in technological developments to see that messages are accurate and speedy and that the equipment is made more efficient. Now, that is a constant process. All I said was, that in answer to that hypothetical question—and I thought I gave a long answer previously to the effect that I was speaking off the record—I said, off the record, if the point were ever reached where some encouragement, legislatively imposed, deposited in some government bureau or authority the power to look over the units of our equipment and approve them before we could use them, then we would be hard put, and perhaps foolish to develop anything at all, if it were subjected to approval. But, in any event we could well reach the point where we might say that that is an infringement upon our right. One of the things we possess by right is to replace and take duty free the parts of units and equipment. Now, I readily stated that where the unit was radically different, so that it would effect a generic change in the cable, then you would have a problem.

Q. Your difficulty from a technical improvement point of view is not what I have in mind. I understand quite readily that you should be permitted to keep your original equipment in good working order; but the thing that I have in mind is, if you could develop an invention which will double your capacity over that same cable, or treble it, then you are in a position to—if you say, well, this is just as good now as the coaxial cable, therefore we do not want any change in this legislation, because the government is, in effect, speaking about coaxial cables, and we can do as good, or better by making improvements to our present cable that will double or treble our business. Now, have you anything like that in mind?—A. No, sir.

Q. Is there any technical improvement at all where you could double your capacity, or treble it?—A. Mr. Chairman, nothing remotely resembling this. I see your point there; but remember that saying you are going to double something is meaningless. Doubling two is only four, but doubling two million is a lot more. Now, the point is this, I said that once you got into that realm,—and in heaven's name are we in that realm now? That is why I am here. No one, up to this moment, has said that the present cable system of Commercial Cable, or of Western Union has so far advanced, or reached the point that is so far beyond its original authorization that it should now be controlled. That is the point. The fact is that Western Union Cable is substantially as authorized, and the same with Commercial, sir.

Now, assuming that some units could so alter the present authorized operations that they would approach coaxial, that is a terrific assumption. There is no such thing in the wind. One would be foolish to lay a coaxial cable if all one needed was some little repeaters which would accomplish the same result. One problem here is to get the assumptions in line. I submit, Mr. Chairman, that my original question, rhetorical question is a good one, namely: that the effect, operationally, economically, and I hesitate to say this, but I would say politically—that the effect of any nature, taxwise, accountingwise has arisen, now, as related to the past, say the past decade which requires reasonable men to come to reasonable conclusions that the franchise to control authorized chartered, tabulated, and I have in mind the Dominion Bureau of Statistics—annually we record—identify the known located operations are now to be re-tabulated, reidentified, revised, refingerprinted, relicensed.

Now, I know of none. That is not to say that there have not been, but we of Western Union do not know of any situation, and I do not know about Commercial Cables operations; but I might say that I would be very much surprised if anything about the Commercial Cables operations, or the C.O.T.C., as of today, have likewise anything as great which would require now some legislation.

Now, I say, if that is true, then what is the need for establishing controls when you do not know what you are going to control? I will say this, how will you be able to define the nature of the regulations if you do not know what it is you are going to regulate.

Now, one reason for not including regulations in that enactment is that they are pro forma; they are obvious; they are to be administratively drafted. Give us the authority and create the agency and we will then regulate, consistent with the intentions. All right, let us take the law—

I will conclude. Assuming that you now appoint an authority, what criteria, boundaries, instructions, intentions have you established for him as to which he could draw conclusions to be consistent with the purposes? Why do you want any regulations which will be sent to Western Union for compliance? Now, I say the answer to that question is to look at Western Union's record and say what has Western Union done today which so departs from its original authorization that it ought to be changed?

Q. Now, let us hear from the Minister, Mr. Chairman.

Mr. HAMILTON (York West): Let us hear about C.O.T.C.

Hon. Mr. MARLER: I will probably be able to satisfy the honourable member from Oxford, but perhaps not the way he expects.

Mr. Chairman, the first thing I would like to point out to the committee is that what we are discussing here, originated really in the brief of the Commercial Cable Company, and in the application which the Commercial Cable Company made for a landing licence under section 22 of the Telegraphs Act; and I must say that I find it very difficult, after listening to all of the representations that have been made since yesterday afternoon, to know just what the most sensible starting point should be in order to persuade members of this committee that the legislation which is now before it ought to be recommended to the House of Commons for adoption.

I think perhaps it would be best if I were to go back to the time when the application was received by the government for the new cable of the Commercial Cable Company. One point that I would like to make right away,—and I read the brief rather carefully, but I did not see anything in it to cover this aspect of the question,—is the route that is to be followed by the new cable. It was obviously to originate in the United States, to land in Nova Scotia and be carried across Newfoundland. It is, in fact, although the brief does not say this, intended to go to Greenland and Iceland and then to the

United Kingdom. Now, I think that it would be truly unrealistic for anybody to suppose that a cable could be, and should be considered as if one merely laid it from some point on the Atlantic coast without considering where it was going. It seems to me that in these days, and particularly having regard to the developments in the field of telecommunications, that it is highly important that we should know where the cable is going, and what are the attitudes of the other governments who are concerned.

Mr. Henderson told us yesterday that so far as the government of the United Kingdom was concerned, they had no acceptance, and that in fact, I think the words he used were "that there had been no final turn down". So far as Greenland was concerned, he said that the reaction of the Danish government had been favourable. I say the Danish government because of its control over the affairs of Greenland.

All I want to say in that connection is that my information does not correspond with that of Mr. Henderson, that the reaction of the government of Denmark so far as Greenland is concerned was to suggest conditions for the landing permit which were unacceptable to his company. I am not in a position to express any opinion about Iceland because I do not know what the Icelandic government's reaction is.

I think in general that the reaction of the government concerned was that if a cable was needed for defence purposes they would give consent to the landing of such a cable if it were to be used for defence purposes. I think if the members of the committee will re-read the letter which I wrote to Mr. Maclaren and which appears in the Commercial Cable Company's brief, that they will see that our consent to land a cable was given so far as defence circuits were concerned.

I should return later to the question of the defence aspects of the matter, but first I would like to point out to hon. members the number of circuits which were contemplated in the new cable, and that according to the application it would have 120 duplex circuits with a capacity of 60 words per minute each, of which—as the committee will remember—24 were to be opened in Canada. There may be some doubt as to what the significance of the word "outlet" or "opening" is, but so far as I am concerned, I think the committee would understand that that meant 24 more circuits which were going to be opened into Canada to take the business that originated in Canada across the Atlantic, or vice versa.

In this connection, at one stage in the discussion which took place the company represented to the government—that this cable was a replacement of one of the company's 1884 cables. Now I would just like to touch on that point because yesterday we talked about replacing and modernizing and so on. I would like to point out that the proposal was to replace the 1884 cable which had a capacity of less than two duplex circuits by a coaxial cable which had a capacity of 120 duplex circuits. I am quite sure that there is no member of the committee who would honestly think that the word "replaced" should be interpreted in such a broad fashion that where you had a cable with two duplex circuits you could replace it with one which had a capacity of 120.

Another point I would like to draw to the attention of the committee is that the 24 circuits which were to be provided for in this cable and which were to be opened in Canada exceeded the total capacity of all of the present submarine cables between North America and Europe which aggregate altogether about $18\frac{1}{2}$ duplex channels in capacity.

The 24 circuits in Canada were to be just for Canadian business—whereas at present there are $18\frac{1}{2}$ duplex circuits for all the business not only between Canada and the United Kingdom but between the United States and the

United Kingdom—so we were considering merely a part, a one-fifth part, of a cable which was going to have a greater capacity by quite a substantial percentage than all the cables that exist already.

When we came to consider the application, my colleagues and I felt that the application had to be considered in the light of what was already available in the way of cable services and what facilities were in process of being provided.

I mentioned during the debate on the second reading of this bill the plan for the present trans-Atlantic telephone cable that is in process of being laid, and which I think will come into operation in October of this year.

This is a project in which Canada is participating through the C.O.T.C. jointly with the British government represented by the Postmaster General, and the American Telegraph and Telephone Company and its subsidiary, the Eastern Telegraph and Telephone Company.

Mr. GREEN: That is a private company?

Hon. Mr. MARLER: Yes. I understand it is a Canadian subsidiary of the American Telephone and Telegraph Company; and as I say, this project is to build a cable which will have a capacity of 36 voice circuits.

I find it difficult to get technical people to tell me exactly how many telegraph circuits that is equal to. There is to be one cable in each direction and I am told that in round figures the present estimated capacity of that cable expressed in terms of telegraph circuits is something around 800.

This is not as disquieting as it seemed at first, because the great majority of the circuits are to be used for telephone purposes, that is to say, they are to be voice circuits, so that the number available for cable business or for purely telegraphic communication is relatively small.

Canada's participation will give to the C.O.T.C. $6\frac{1}{2}$ voice circuits, of which 6 are to be used for overseas telephone purposes, and half a voice circuit for telegraph purposes.

It does not seem to be perfectly clear whether the one-half circuit will provide, 6, 9 or 12 telephone circuits or more, but it will probably provide us with not less than 9 telegraph circuits and probably more.

In the opinion of the officials of my department, the telegraph circuits that are going to be provided within this cable ought to provide adequately for Canadian needs for some considerable time.

All that is a factor which it was necessary for the government to take into account in considering the application of the Commercial Cable Company for a landing permit under the Telegraphs Act. In fact, I think I should say that it did seem to us—and I think the same thing is true today—that the provision of 24 additional circuits in the cable which the C.C.C. planned to build was an unnecessary duplication of facilities that are already available in Canada or which are immediately in prospect.

I would like to make it perfectly clear to the committee that I do not think there would have been any difference in the decision whether the application had come from Western Union, from Commercial Cable or from any other corporation which proposed to lay a coaxial cable across the Atlantic at the present time.

I do not think that one having the responsibility of deciding whether a landing permit should be granted or not could overlook the fact that the additional facilities that were contemplated in the Commercial Cable Company's application—specifically 24 duplex channels—would have added to the existing facilities a number of new circuits which was inordinately large having regard to those already in existence.

I would like to emphasize the fact that that is a condition which will have to be faced by successive governments as the years go on.

The officials of Commercial Cable Company have interpreted this refusal as being for all time, but I do not think they should do so. I think that as we look forward we shall find that future cables will be given a great deal more attention than was given cables in the past. In the past we were dealing with a small number of circuits but now we shall be dealing with cables having a very large number.

I would like to talk about that a little bit more further on, but I would like to add one further comment in connection with the Commercial cables' application and it is that we have tried to make it clear to the Commercial Cable Company that if they wished to run a cable across the Atlantic to carry business which I think they have a perfect right to carry, that is to say, business originating in the United States, and to carry it to the United Kingdom, I would have no objection to that at all. I hope it has been made perfectly clear to the representatives of that company that if we were talking merely of landing rights to carry what we might call transit business or through traffic, there would be no objection on the part of the government to their making use of points in Canada at which to land their cables. However, the correspondence does seem to make it perfectly clear that the business which originates in the United States and the business which may be picked up and handled by the company in the United Kingdom do not seem to be sufficient in the opinion of the company to justify their building this particular cable. In other words, what they wish to do is to have the Canadian business in order to render profitable communication facilities which are primarily intended for telecommunication between the United States and the United Kingdom.

As I said a few minutes ago, there was a question of defence needs. I should like to tell you that while the application of the company itself does not lay great emphasis on the question of the defence aspects of this case, very little time was lost in making known to the government of Canada and to the officials of my department the fact that this was a most important thing for defence purposes. As I said earlier, the reaction of other governments to the defence need seemed to be of the same as our own, that if there was a real defence need for this cable, we would give our consent to it so that the cable might be laid. But I am sure that hon. members will not be surprised when I say that we would not wish to accept the defence need as a justification for the development of new circuits for commercial purposes.

In their brief yesterday, Mr. Corlett and Mr. Maclaren talked about subsidies in connection with the Trans-Canada Pipe Line. I think when one examines the situation with regard to the cable, that the word "subsidy" could be loosely applied to the proposed cable to a much greater degree than to any other project that has come before the parliament of Canada at this particular session. The reason I say that is that it could loosely used, though I do not think it should be used, strictly speaking, of the circuits which were to be provided for defence purposes and which would be rented by the government of the United States at a rental of \$1,600,000 per annum for a period of ten years. So that hon. members will realize that though this might not be in the strict sense a subsidy, it would give to the owners and operators of this cable an economic advantage which none of the other cable companies possesses, either C.O.T.C. or Western Union, and it was a factor to which the government could not fail to attach a good deal of importance.

I feel perfectly sure that if the hon. member of this committee had been in the position I occupy and had been faced with the necessity of making a recommendation to the government with regard to the disposition of the application for a landing licence, he would not have failed to be disquieted by the very substantial amount which this rental would represent in relation to

the anticipated revenue that might be derived from the cable when built and the effect that it would have on the activities of the other companies that are engaged in the cable business in Canada.

Now, I would like to go back to something which I believe has given rise to a complete misunderstanding of the position of the Commercial Cable Company with regard to this new cable, and that is the interpretation which the company is placing upon the statute of 1884.

I would like to point out to the members of the committee that the Commercial Cable Company is an American corporation, that is to say, a corporate body established under the laws of the United States, and that in 1884 it came before the parliament of Canada and received what might be regarded as Canadian status, and it also received powers which are set forth very fully in the statute which the representatives of the company very kindly included in their brief. I think it is from a difference in the interpretation of that statute that so much of the misunderstanding that prevails has arisen.

The Commercial Cable Company, if I understand what was said both publicly and privately on the subject, seems to contend that it has a right to lay cables when it wishes, and that the governor in council may not refuse to grant a landing permit when an application is made, not that the governor in council may not attach to the landing permit conditions that may in any way affect the use of the cable covered by the application.

In my opinion that is a wrong construction of the statute, but I think also it is in fact tantamount to saying that under the statute adopted in 1884, the Commercial Cable Company has in perpetuity the right to lay as many cables as it wishes at any time that it wishes. Now that may be a slight exaggeration of what they have said, but the hon. members know what the company has said and they can form their own opinion as to whether what I have said is accurate or not. But I contend, Mr. Chairman, that this is not an acceptable view, nor do I believe that it is the proper interpretation of the statute.

I think the statute gave the Commercial Cable Company corporate powers or the legal capacity to carry out the operations, let us say, of a cable company in Canada, and that when one reads the statute carefully, one finds that those powers are subordinate to the accomplishment of further formalities which change the character of what the company received under the statute from a right to a power.

Perhaps those hon. members of the committee who are not members of the legal profession may not seize the distinction between the two words, "right" and "power", but if this were a right as suggested, then I take it we would be repudiating a contract if we ever refused them the opportunity to lay a cable when they wished to do so.

If it appears to be a power—something which must be exercised after formalities have been fulfilled—then we may refuse to allow them to exercise that power in accordance with the Telegraphs Act to which I consider their rights are subordinate.

Mr. Chairman, when the application was received in September, 1954, the Deputy Minister of the Department of Justice was asked to give his opinion on the following question: "Whether it would be within the discretionary power of the governor-in-council to refuse to approve the plan and survey of the proposed telegraph cable, or whether it is mandatory on the part of the governor-in-council to give his approval, provided the plan site and location thereof are not objectionable?"

It took some time before we received a reply to our inquiry, and the Deputy Minister of Justice replied that he was of the opinion "that the effect of the provisions of the act of incorporation of the company, Chapter 87 of the Statutes of Canada, 1884, and of the Telegraph Act is to require the approval

of the governor-in-council before the company might exercise the powers conferred by Part III of the Telegraphs Act, or to commence construction of a cable in Canada”.

“The question whether the approval required by these statutes is to be given by the governor-in-council or withheld is one to be determined by the governor-in-council as a matter of policy. I do not find in the act any provision, express or implied, that fetters the discretion of the governor-in-council, and he could, in my view, refuse to approve the plan site or location of the proposed cable on any ground that he considers to be in the public interest”.

I hope, Mr. Chairman, that I have made it clear in citing both the question to and the reply from the Deputy Minister of Justice that the governor-in-council may, if he deems it to be in the public interest, refuse any application for a landing permit. I would like to emphasize it, because there has been some suggestion that we wished to further the position of C.O.T.C., to develop a monopoly for it. Is it not elementary that if we wished to do that, in the face of the opinion which we received from the Deputy Minister of Justice, we could have just purely and simply said “no”, that there would be no landing permit, and nobody could have a complaint.

I shall go so far as to say this, that that would at least have given an opportunity to Commercial Cable Company to go to the courts to decide whether the opinion of the Deputy Minister of Justice is a sound interpretation of the law or not. I think it is a sound interpretation, and, Mr. Chairman, I think that the government has acted properly in dealing with this particular application.

Mr. Maclaren in his brief and in his correspondence with me has rather suggested that though we might approve the application for the landing permit and grant it, we could not attach to the grant of the permit any conditions whatever.

Curiously enough, the application itself clearly is made, not under section 22 sub-paragraphs (a) and (b), but under section 22 which includes (a), (b), and (c); and speaking from memory my recollection is that sub-paragraph (c) says that the governor-in-council may attach to the landing permit such conditions touching on the cable and so on as he thinks fit.

Mr. GREEN: As he sees fit for public good.

Hon. Mr. MARLER: I take it that in a general sense the decisions of the governor-in-council are always taken for the public good, but I am not saying that in any partisan sense at all.

Mr. GREEN: No, it is contained in the statute.

Hon. Mr. MARLER: Unfortunately my memory does not permit me to remember the exact words. However, I do not think that it is essential whether I put in “public good” or not and I will say this right away: that after I read Mr. Maclaren’s brief on the subject, I noticed his insistence on the 1884 statute and the provisions of section 22, and I will admit quite frankly that there is ground for the contention that the conditions which might be attached to a landing permit are of a character which, it seems, must be accomplished before the cable goes into operation. I think that it is quite possibly the correct interpretation and that the statute ought to be interpreted in that sense.

I am not saying that that is the view of the government of the situation, but I do say that it is perfectly understandable for somebody reading the statute to come to that conclusion—that the conditions attached to the landing permit seem to contemplate something that is to be done before the landing; in other words, something that is done once and for all.

Now, the effect of Mr. Maclaren’s argument that the subparagraph (c) does not permit us to establish continuing conditions is, in my opinion, one of the

strongest arguments I have heard so far why a bill like that now before the committee should be adopted. And why? Because, Mr. Chairman, it gives the government an opportunity to establish conditions which may be accomplished from year to year, or from time to time, after the cable has gone into operation.

Therefore, when Mr. Maclaren argues that under subsection (c) we may not attach conditions of this kind to the grant of a landing permit, that is in my opinion an argument in favour of broadening the legislation so as to enable the government to attach not only to the laying of the cable but to the operation of the cable the kind of conditions which I believe ought to be attached in order to enable—I should say in order to prevent unnecessary duplication of telegraph facilities.

I shall say no more about the Commercial Cable Company's application beyond perhaps stressing the point that the question of whether Commercial Cable Company receives a licence or does not receive a licence is not part of this bill. I think, properly speaking,—although I am not a member of the committee and I would not attempt to invoke the prerogative of a member of the committee—that it was not directly relevant to the consideration of the bill itself; but all that could be said was that perhaps the anticipated policy of the government in the administration of the bill if and when it became law might be judged by the action taken by the government under section 22 of the Telegraphs Act. But I do not think it is directly relevant and I would like to point out and to stress the fact that that issue really is not before the committee at this time.

The great bulk of the evidence made by the Commercial Cable Company was predicated upon an abandonment of other facilities. Mr. Martin this morning dismissed all of the existing cables with just one sentence on the basis that somehow or other they were all going to disappear. We heard from Mr. Levett that apparently his company does not seem to have the intention of removing the cables which they have and I take it that regardless of the outcome of the Commercial Cable Company's efforts to secure a landing permit under the Telegraphs Act they are not going to take up their existing cables.

In point of fact, the truth of it is as Mr. Levett said that the Western Union have eight cables which as I understand it contain 45 simplex circuits. The Commercial Cable Company has six cables with one out of commission, and five others which provide $9\frac{1}{2}$ duplex channels which are equal to 19 simplex circuits. And in addition to that there are two other cables which are the property of Cables and Wireless and which have a capacity of four simplex circuits. So that when anybody talks about a monopoly on the part of C.O.T.C., I cannot help feeling that it is a distortion of the facts, because how could anyone possibly pretend to constitute a monopoly having only four circuits out of a total of something like 68?

Now, I would like to say too, as I did earlier, that if we had had the intention to establish a monopoly for C.O.T.C. it would have been perfectly possible for us to have refused out of hand this application which I referred to earlier. It would have been possible for the government to have expropriated the physical property of all the cable companies in Canada, and I think we could probably have taken steps to terminate by legislation or by expropriation or in some other way the traffic agreements which existed between the Canadian Pacific Telegraphs and the Canadian National Telegraphs and the cable companies. But I do not think that anything that has happened justifies the contention that we are seeking to create a monopoly for C.O.T.C., or that we are trying to do more at the present time than to provide for Canada through C.O.T.C. new facilities in addition to the existing ones, and to provide the kind of service that we believe Canada should have.

I would like to point out that the present situation in the cable business is highly competitive. We heard from Mr. Martin this morning, and I think he described the situation very fairly, that everybody is out for business, and the effect of it is that while everybody is out for business, according to my information the American cable companies have 60 per cent of the Canadian business, and C.O.T.C. has about 40 per cent. Quite frankly I, as the minister who reports to parliament for C.O.T.C., would like very much to see C.O.T.C.'s proportion higher, but I do not propose to make it higher by legislation. I think that it is up to C.O.T.C. to get the business itself.

Let me say as a Canadian that I am not attempting to advocate any policy of narrow nationalism when I say that I would like to see Canadian companies handling a larger segment, or a larger part of the trans-Atlantic business than they now have; but I am not trying to ask the committee to judge these things on a basis of nationalism. I merely urge them to dismiss from their minds the thought that C.O.T.C. is a monopoly, and that there is any intention on the part of the government to make it one; and I urge the practical-minded members of the committee to realize that had there been any such intention on the part of the government it could have accomplished it long before this, without waiting from 1949 until 1956; and I suggest that nothing whatever, apart from the refusal to grant the landing permit which Commercial Cable Company asked for, will bear any interpretation as favouring a monopoly for C.O.T.C.

I want to assure the members of the committee that this bill is not intended to be a measure to control rates. I want to point out to hon. members first of all that, as we saw when we examined the brief yesterday, the provisions of the 1884 statute in fact provide no control of the rates which the Commercial Cable Company may charge. It is well known that the 1884 existing rate structure has now been outmoded, and no one would for an instant have the intention of re-establishing rates at those levels. Secondly, the ceiling is so high that to all practical intents and purposes it is not a limitation on the rates that the company may charge.

The happy part of the present situation, despite this question of whether or not there is a monopoly, is that it is competition which is keeping the rates at their present level.

I want to tell the committee two facts which I believe are important in this proposition. Mr. Martin told us this morning, in comparing Canadian with U.S. rates for cables to London, that the New York rate was 4 cents higher than the Canadian. Does anybody believe that that is a pure accident? I will tell this committee that the reason that the rates are lower in Canada than they are in the United States is because C.O.T.C. has refused to yield to the suggestion that rates should be increased.

I would like to tell the members of the committee this fact: the brief would have the members of this committee believe that C.O.T.C. is a lame duck. I am going to have the privilege of tabling the sixth annual report of C.O.T.C. tomorrow or early next week, and that report is going to show that for the sixth consecutive year C.O.T.C. has made a profit, a profit after paying income tax and a profit after paying interest on the government's investment.

I want to emphasize to the members of the committee the importance of the existence of C.O.T.C. in this cable field. It gives us the means of controlling the rates for cables, because we can go on providing service at a profit at present rates whether the other companies in the cable business are doing so or not and I know, as far as I am concerned, that we are going to try to keep the rates down as low as we can regardless of suggestions that may be made in any other sense.

Mr. Chairman, another point which was made and emphasized at considerable length in the brief was with reference to these agreements that have

been made by Canada from time to time, at the Bermuda conference, the 1948 agreement, and so on. I would like to point out to honourable members, first that it was as a result of just such an agreement as that reached in Paris in 1949 that cable rates generally were reduced to the present levels. I would like to point out that it was not necessary that these agreements should be ratified by parliament or that they should go through the process which some honourable members seem to think they should have gone through. I could not help but feel that it was suggested almost that there was something evil or sinister about these agreements, because they had not been approved in the House of Commons. Well, I will agree that an agreement that is made by the government of Canada with the government of some other country does not, of itself, change the law of Canada, and nobody would be foolish enough to think that a private citizen was bound by an agreement negotiated in that way which was not implemented by legislation, adopted by parliament, which changed the law from the state in which it was before. But let nobody think that the government, in negotiating or concluding these agreements, has done something that it should not have done because the Radio Act, section 3, subsection 1(c), says in effect:

The governor in council may accede to any international convention in connection with telecommunication, and make such regulations as may be necessary to carry out and make effective the terms of such convention and prescribe penalties recoverable on summary conviction for the violation of such regulations, but such penalties shall not exceed five hundred dollars and costs.

I hope, Mr. Chairman, that that disposes of the question of agreements. No one is relying on the agreements.

I was rather amused to read in the brief that Mr. Maclaren had come to see me and that I had admitted to him that I had never even read the agreements. All I will ask honourable members to conclude from that admission on my part is that I did not read them. But they had no influence whatever on the decision reached on the application of the Commercial Cable Company.

Now, I would like to come to the proposed legislation itself. What has happened since 1876 which would justify some change? I think that I made the position clear in the house the other day, that the development of coaxial cable and the use of coaxial cable for transoceanic communications have completely changed the whole field of submarine telecommunications. I do not think that anyone in good faith would deny that statement.

As we all know and as we have heard from the evidence before this committee, cables at the outset had most limited message-carrying capacity. I think the cable with the largest number of simplex circuits for a loaded cable was laid by Western Union in 1926. There were in that cable eight simplex circuits equal to four duplex circuits.

As I said in the house the other day, so long as cable design had not progressed beyond a point where a cable carried four duplex circuits, no one could possibly be disturbed by an application to land a new cable. The fact that it was looked on as a purely mechanical operation to grant approval when somebody came along and said, "May I lay another cable"; it could mean another four, six, or eight circuits, but it did not mean 800 circuits. Of course, I am not suggesting that the cable which we have been talking about in the case of Commercial Cable Company has 800 circuits. No. As I said earlier, it has 120 duplex circuits. But I do suggest that the development of a cable with so many circuits as the coaxial may have gives rise to questions—which did not arise in the same way up to, let us say, 1926—the application we have been discussing shows this very vividly. Here we have a cable with 120 duplex circuits, 24 to be opened in Canada. 24 is more than had existed already, and no such a thing had happened before with the previous legislation, because

nobody could produce in one cable more than six or eight circuits. With the development of coaxial cable and the possibility of such a large number of circuits being added, there is a need, I think, to improve the legislation to provide for the attaching to the landing permit of conditions that are of a continuing character.

The situation might well have been different if Commercial Cable Company had asked us, "Will you allow us to open two new circuits in Canada"; our reaction to such request might very well have been different to their demand that they should be allowed to open twenty-four. But Mr. Maclaren says in effect, "But you may not attach these conditions to the landing permit; you may not say that there will be only two, now, and more in some future period", because his argument is that I cannot set up conditions in the landing permit. In fact, I think it is his belief that in this case I cannot set up any conditions at all. But, getting to a broader aspect of the affair, there is something to be said for the view that I must limit myself to conditions which can be accomplished up until the time that the cable is laid.

I think we should have a broader power and that is the reason why, after a great deal of discussion in my department and in the Department of Justice, we finally devised the form of licensing which is contemplated by this bill.

I want to say immediately—and I hope it will make Mr. Levett feel a little more comfortable about the legislation—that no one in the Department of Transport or in the government is questioning the validity of the landing permits which have been granted in the past, whether it is his company or the Anglo Company or the Commercial Cable Company. No one is challenging the validity of those landing permits.

The original licences said that they might put the cables in such and such a place just as in the United Kingdom under the Telegraphs Act the Postmaster General could give to a cable company the power, or a licence, to land. But it was not in perpetuity. In fact, we have now the situation that in England all the licences have expired and Mr. Levett's position in England is not very different from his position in Canada. The Postmaster General, in theory, could say, "Take your cable away, your licence has come to an end." But nobody is suggesting that the Postmaster General will say that to Mr. Levett or to his company and no one here in Ottawa is proposing to say to Western Union or to Commercial Cable Company that their landing permits granted a long time ago are now going to be revoked; no one is suggesting that.

Mr. HAMILTON (York West): If, looking over the number of circuits, one of these companies decided to use a larger number of circuits for their Canadian business, would the minister's statement still hold true?

Hon. Mr. MARLER: Which statement?

Mr. HAMILTON (York West): The statement that there is no intention to interfere in any way with the landing permits previously granted to these companies.

Hon. Mr. MARLER: Well, Mr. Chairman, what I was attempting to say was that no one was challenging the validity of these permits at all; they are not in question at all. I realize that that is not an answer to the whole of the question but I shall try to give one in a minute.

Mr. HAMILTON (York West): I thought of it because I felt that it had been raised by Mr. Levett.

Hon. Mr. MARLER: Mr. Levett raised a number of questions and I will try to dispose of as many of them as I possibly can. I would like to point out that the licences or landing permits which have been granted were in effect a permission to land the cable in Canada. What we contemplate is a licence which will permit the operation of these cables in the future. I do not believe

it is any more unusual to say that we should like to have a licence for a cable, where we wish to provide a licensing system for cables, than it was in the case of licensing aircraft in Canada, or licensing automobiles; and I do not doubt that hon. members could think of perhaps other examples that could be given where an operation was carried out initially without any licence, but was subjected to licensing afterwards.

Now, the first thing I want to say—and I hope this will set at rest the doubts of both of the cable companies—is that we do not wish to attempt to regulate the way in which they are going to deal with through traffic—traffic originating out of Canada and destined to points outside of Canada.

Somebody may say: “Well, why do you not put that in the bill”? I am ready to consider an amendment which will make it perfectly clear that we do not intend by a licensing system to exercise any control over traffic which originates outside of Canada and destined for points outside of Canada.

But, on the other hand, I do want to say, that while I fully appreciate Mr. Levett’s desire that everything should be spelled out in this statute, it is not possible for us to do that. We are dealing with a new field, and I think, it is quite impossible now to foresee all of the situations that we shall have to deal with. There is also the fact,—and this has been perfectly manifested during the discussions before the committee, that we cannot now anticipate all abnormal conditions. We cannot anticipate by legislating so as to put the cable companies in a position where they cannot meet abnormal conditions in the same way in which they do normally. By that, I mean that the last thing that I would wish to do would be to say that in all circumstances, regardless of convenience, regardless of all other causes, Canadian traffic shall be routed via a strictly Canadian route. I know perfectly well, and we all know perfectly well, that there are occasions when it is impossible to transmit a message, let us say, from Montreal to the cable head. Should we say that when the lines are down, we will hold up traffic? Of course not; we have got to be prepared to deal with abnormal conditions. That is one reason why we must have the freedom of action which is contemplated by the section of the bill which enables, not the Minister of Transport, but the governor in council, to make regulations to deal with this licensing.

Now, somebody seemed to think this morning that it would be possible that we might introduce discriminatory regulations. All I can say is: I do not think that in the whole of the history of Canada there has ever been a government which has so abused the power to make regulations as in fact to discriminate against one corporation in favour of some other corporation. I think it is perfectly clear that, if any such action were taken by any government, it would not long command the respect and support of the majority of the members of the House of Commons. I say that, regardless of which party may be in power. I fully realize that in theory one may adopt what would appear to be discriminatory provisions in the regulations but I cannot believe that the present government, or any future government, is going to adopt that action under this legislation.

Now, the question comes up as to the term of the licence; for how long are we going to grant the licences. All I can tell you is that we have not been able to come to any conclusion on that subject. But we do realize that the cable companies must know the conditions under which they are operating, and we do not wish to have suspended over their heads any sword of Damocles, although that does seem to be the situation that exists at the present time in the United Kingdom.

It has been suggested that perhaps the fees that might be charged for licences might be abused, and that we might levy an unduly high fee, which in the case of C.O.T.C. would mean nothing to us, but in the case of other corporations would mean a great deal to them. I repudiate any such sug-

gestion as that. I can assure the committee that whatever fees are charged, they will not be used as a deterrent or in order to give one company an advantage over another, or to place any one company at a disadvantage with regard to the others.

There is something, however, that I think I would like to add. I conceive it to be quite within the bounds of possibility that we might provide in the licence a condition prohibiting an increase in the capacity of the cable, or in the capacity of the equipment which was used to operate it. I think it is only manifest that where you are considering the introduction of a coaxial cable, which today is estimated to have, let us say, 100 circuits, that we should say, "That is only today; tomorrow it might be 200, 300 or 400". I think we should have the right to control, as we see fit, changes in the capacity of the cable; and likewise I think that we should have the right to control the opening of new or additional circuits.

Now, honourable members may say, "But what about the possibility of future applications?" I think that if any one of you was in my position you would take the action that I have taken in recommending against the granting of the licence applied for by the Commercial Cable Company. But, I think you would say, "Yes, but this is 1956; what about next year, and what about the year after?" I would like to say that I think we must see what the experience will be when we open these additional circuits in October of this year, and when we see to what extent there really is a need for additional circuits.

Then, too, I think I should say this: Having come to the conclusion that additional circuits are required, I think we are going to say, "Where are they going?" I do not think that we would want to be put into the position, internationally, of saying, "We have said 'Yes' and you other people," wherever they happen to be, France, Belgium, Holland, the United Kingdom or elsewhere, "You solve your own problem now". I do not believe that a telecommunications policy can be based on a purely unilateral action by any single government. I think that as we go on we will find that the establishment of new circuits, particularly when we are considering these large additions to the existing capacities, must, of necessity, be a matter of discussion at government level, when we receive other applications.

Mr. Chairman, I am sorry I have been so long in trying to explain the purposes of this bill, but I do hope that the members of the committee will feel that there is no sinister purpose. We are not, as is suggested, attempting to build C.O.T.C. into a monopoly, but what we are proposing is a reasonable system of regulation, which I think should adequately take care of the situation.

Mr. GREEN: I am sorry to jump up so quickly, but some of us are going to Chalk River this evening and we will not be able to be here. I am worried about the situation with regard to getting direct service from Vancouver. If you remember, Mr. Marler, Mr. Martin mentioned this morning that his plan included the installation of a direct service from Vancouver which would put my city on the same basis as your city of Montreal.

Hon. Mr. MARLER: That would be difficult to do, Mr. Green, but it could be attempted.

Mr. GREEN: Frankly I cannot see any reason why we should be prevented from getting that service. It looks to me as though the only way in which we can get it now, unless there is some change in the department's plan, is by the Vancouver people, and the Vancouver firms being forced to make a contract with the C.O.T.C., when the C.O.T.C. gets this new telephone cable service which is to contain 800—

Hon Mr. MARLER: That is the total expressed in telegraph circuits, Mr. Green, 800, but so far as Canada is concerned, six and a half voice channels out of a total of 36 voice channels.

Mr. GREEN: Is that the position, that the Vancouver business firm will have to make a deal with C.O.T.C. if it is to get that service?

Hon. Mr. MARLER: I do not think so.

Mr. GREEN: How else can they get it?

Hon. Mr. MARLER: Every time I send a cable I do not have to make a contract with anybody.

Mr. GREEN: No. But will there be any other cable company in the field at all except C.O.T.C. if your plan goes through?

Hon. Mr. MARLER: I seem to have heard a good deal today about Western Union and Commercial Cable Company.

Mr. GREEN: They do not have this sort of a contract and will not have it?

Hon. Mr. MARLER: I would not go that far.

Mr. GREEN: They say that they do not have a coaxial system.

Hon. Mr. MARLER: Of course they do not. Neither has Commercial Cable Company.

Mr. GREEN: But Commercial Cable Company are anxious to establish a coaxial system. Why should the business people in Vancouver not have the privilege of doing their business over a system of that type rather than being restricted to the one system which would be under the C.O.T.C.?

Hon. Mr. MARLER: I cannot see that you are restricted. It seems to me that you can make such an arrangement with any one of the three cable companies. They may not wish to take up a single circuit to Vancouver, but that is a matter of their use of the existing facilities. As I say, it is very difficult to see how the situation is so acute when Western Union has forty-five circuits, Commercial Cable Company has nineteen, and C.O.T.C. have only four.

Mr. GREEN: But I understand that the only way this direct service could be made available would be by the coaxial system.

Hon. Mr. Marler: I do not think that that is right. I think what we are talking about is how you get your message from Vancouver to a cable head. You know that that has got to be done by either C.N.T., C.P.T., or the trans-Canada telephone system.

Mr. GREEN: I think that it was described—I do not remember the correct description—but it is a special service this firm would get.

Hon. Mr. MARLER: It is quite possible that they might establish a direct service to Vancouver. I do not deny that.

Mr. GREEN: Then we were told at the present time Commercial Cable Company has lost the business with this particular firm because that firm found that it was cheaper and more satisfactory to use a land wire to Seattle and from there to use the R.C.A. service, because there was no direct service by Commercial Cable Company. Is there any contradiction of that situation?

Hon. Mr. MARLER: No; I will not contradict that. I am merely suggesting that perhaps in the latter part of 1956 this firm may prefer to use the telephone.

Mr. GREEN: Why should a firm which is prepared to give that service be prevented from doing it?

Hon. Mr. MARLER: Because it seems to me that they are providing a lot of of additional facilities that are duplicating those either existing or in prospect.

Mr. GREEN: You say that there is to be no monopoly but, as I understand it, this similar service is to be established by C.O.T.C. plus the British post

office, plus a very large American private firm—American Telephone and Telegraph Corporation. Why should they have a monopoly on a service of that kind from Vancouver?

Hon. Mr. MARLER: I cannot see what Vancouver has to do with this C.O.T.C. cable.

Mr. GREEN: Winnipeg is another example. The business men out there want this direct service and are being offered it by Commercial Cable Company and your department, in effect, say that they cannot have it and that the only way they can get it is through C.O.T.C.

Hon. Mr. MARLER: We are not saying that.

Mr. GREEN: Why is it that that condition exists?

Hon. Mr. MARLER: I do not think it does, Mr. Green.

Mr. GREEN: Then again you said that you did write a letter on February 9, 1955, to Mr. Maclaren?

Hon. Mr. MARLER: I am not denying that for a minute. The letter is there.

Mr. GREEN: I would like to read that to you and ask you about it. It says:

I refer to your letter of January 28, 1955, and previous correspondence in connection with the application of Commercial Cable Company to land on the coast of Canada a new trans-Atlantic coaxial cable.

The government is prepared, subject to compliance by the company with all statutory requirements, to grant authority for the landing of the proposed cable, subject to certain technical and related stipulations the details of which are now being worked out; and subject to the condition that no circuits shall be terminated in Canada except for

- (i) purposes of defence communications from Canada to points outside Canada, so far as other available circuits are insufficient, and
- (ii) commercial purposes in respect of circuits leased to Canadian Overseas Telecommunications Corporation.

Why was the C.O.T.C. given that preferred treatment?

Hon. Mr. MARLER: Mr. Chairman, I thought that I had dealt with that very fully when I dealt with the action which we had taken in respect to the Commercial Cable Company application. I think we were faced with this rather unsatisfactory situation that this was being referred to us as a defence need while at the same time it was being used as an opportunity for materially increasing the commercial aspects of the project.

Mr. GREEN: That is all right. I can understand that.

Hon. Mr. MARLER: You may dismiss it in that way; but I cannot do it quite so lightly.

Mr. GREEN: You did not stop at putting in a stipulation about defence communications provided. Further to that you say that they can open a circuit but that no circuits shall be terminated in Canada except for commercial purposes in respect of circuits leased to C.O.T.C. Why was that in there?

Hon. Mr. MARLER: Because it gave them the opportunity of earning revenue which they would not have had had we merely refused.

Mr. GREEN: You said that C.O.T.C. was supposed to compete and was not supposed to be assisted by the government by artificial means. Do you think that that was fair competition when you told this company that the only circuits they could open apart from those for defence purposes would have to be turned over to their competitor, the C.O.T.C.

Hon. Mr. MARLER: I think it was that because, as I said a moment ago, of the emphasis on the defence need I did not see any particular reason why we should proceed to open up twenty-four circuits in Canada.

Mr. GREEN: Is your position still the same today that you will not allow these people to open up any of these circuits on their coaxial cable except such as may be required for defence purposes and some to be used by their competitor, C.O.T.C.?

Hon. Mr. MARLER: As far as C.O.T.C. is concerned, we would be perfectly willing to strike out that condition, but the company apparently does not wish to lay the cable solely for defence purposes. I might say that the attitude which I think I am taking is, I believe, exactly the same attitude as that being adopted by the United Kingdom.

Mr. GREEN: Of course, in the United Kingdom you have all the communication services taken over. We were told here by Mr. Chevrier when the C.O.T.C. was set up that it was not to be a monopoly.

Hon. Mr. MARLER: It is not.

Mr. GREEN: And that there was to be competition. How is there competition when a provision of that type is written into the permit? How does that permit competition?

Hon. Mr. MARLER: Well, as I though I had explained, we have the American companies doing 60 per cent of the Canadian business and having in the case of Western Union 45 simplex circuits, and Commercial Cable Company having 19, while C.O.T.C. has 4, I do not think that the situation can be described as even approaching a monopoly and I do not believe that the imposing of that condition to which you have just referred would justify an assertion that we were making a monopoly out of C.O.T.C.

Mr. GREEN: I did not say that you are making a monopoly, but I wonder if you considered that as fair competition? We should know whether government policy is for fair competition or whether it is a policy of aiding crown corporations. You cannot have it both ways.

Hon. Mr. MARLER: I think your feeling about competition might be a little different if you remembered the fact that this cable is to receive \$1,600,000 from the United States government for circuits which it was proposing to rent. I think if one does not take that into account it is very easy to appear to be advocating a great principle; but I must admit that that is a factor I cannot overlook.

Mr. GREEN: Do you suppose that the American Telephone and Telegraph Company is not receiving any subsidies from the United States defence department, and that it is extraordinary in relation to this new cable?

Hon. Mr. MARLER: Yes, it has half a circuit, and there are 29 other circuits to be used for telephone purposes but which are not competing with ours and for which we are not paid.

Mr. GREEN: Are your conditions still standing as laid down in February 1955? Are you now prepared to make a change? Are you prepared to allow this company to open up some of those coaxial circuits in Canada?

Hon. Mr. MARLER: So long as the Telegraphs Act remains as it is I do not think I would change my answer. If we adopt this legislation which is before the committee, I think I would possibly adopt a different position.

Mr. GREEN: I think the committee should know what you propose to do, because it might make quite a difference in considering the bill. Do you propose to make some change in the policy, or what is the situation today?

Hon. Mr. MARLER: I think I made it perfectly clear that when it came to granting any application for a landing permit we would have to do that after we consulted with the other governments at the points where the cable was going to be, and that we would be guided in our determination by whatever the situation would be after the new cable came into operation.

Mr. GREEN: Does that mean that in fact you are carrying out the terms that were in one or more of these treaties, that private firms should be restricted?

Hon. Mr. MARLER: I am afraid that I do not see the connection, Mr. Green.

Mr. GREEN: How are these people going to modernize their cable system? Here they are prepared to spend a good many million dollars to put in a new cable and they are prepared to spend quite a large sum of money in our eastern provinces which will be the result of the cable being put in. Why should they not be able to modernize their services? They should have that right rather than to be restricted by C.O.T.C. and its partner.

Hon. Mr. MARLER: There is a great difference between modernization and installing a cable which has more capacity than all the existing cables that are already installed.

Mr. GREEN: You say that so far as the Canadian government is concerned they cannot have a coaxial cable or system, whatever it is called or described. Is that possibly the view your department is taking?

Hon. Mr. MARLER: The approach which the department is taking is that the Commercial Cable Company asked for a permit to land a coaxial cable of 120 duplex circuits, and we said you may use them for defence purposes and make a connection in Canada for defence purposes, where existing facilities are not adequate, but if you open any circuits for commercial purposes you must do so by leasing them to C.O.T.C.

Mr. GREEN: Then, Mr. Marler, you made quite a point about not allowing any duplication of circuits in Canada. Just what harm would some duplication do? Would that not be to the benefit of the users?

Hon. Mr. MARLER: I think a good deal depends on the condition under which the duplication is produced. Where you produce it with \$1,600,000 paid in government rentals, I think that creates a situation which is not the same as where a company comes forward entirely on its own without any, shall I say, underwriting of that kind, and is on an even footing with all of the other people.

Mr. GREEN: Have you in mind, then, that your department should be in a position that it might decide where there is duplication, and when there is not, and how much duplication there shall be?

Hon. Mr. MARLER: I think that is the present situation. I think that has been the situation since 1876.

Mr. GREEN: You believe your department should be given that power to decide?

Hon. Mr. MARLER: I think they have the power under the Telegraphs Act, and I think we can refuse applications if we wish to do so. Perhaps I should clarify that. I do not mean my department, I mean the governor in council.

Mr. GREEN: Has that power been exercised in Canada before?

Hon. Mr. MARLER: No, it has not had to be exercised in Canada before, because we have never been faced with the problem of having to deal with the effect of coaxial cable on a situation where the number of circuits was so small.

Mr. GREEN: And you also said that you wanted to have the power to say where these circuits are to go. Does that mean—

Hon. Mr. MARLER: No, I did not say that Mr. Green.

Mr. GREEN: I understood you to use words to that effect.

Hon. Mr. MARLER: I am sorry, I certainly did not wish to give that impression.

Mr. GREEN: Just what power do you want to have over these circuits?

Hon. Mr. MARLER: I want to have the power to decide where additional circuits will open. I think that when I grant—or when the government grants a landing permit, it should have the right to provide for the opening of additional circuits, if need be. But, I do not think that we should be in the situation where we are unable to say anything which is intermediate between yes and no. That is the reason why I think we should have some system of licensing.

Mr. GREEN: Suppose you decide next year that there should be four additional circuits, then, do you want the power to say where they are to be used, or for what part of Canada they are to be used?

Hon. Mr. MARLER: No.

Mr. GREEN: Who is going to decide that?

Hon. Mr. MARLER: Inasmuch as the act deals with external communications, I do not think that there would be any purpose in attempting to regulate circuits in Canada.

Mr. GREEN: But what power would you desire over the use of those circuits?

Hon. Mr. MARLER: We do not propose to exercise any power over the use of the circuits, provided they are used in a perfectly normal fashion.

Mr. GREEN: What do you mean by the statement you made in the house on July 3 to the effect that the proposed licensing system would enable us to exercise some measure of control traffic originating in Canada?

Hon. Mr. MARLER: Mr. Chairman, I think that if messages are originating, for example, in Winnipeg, and they are going to be carried across Canadian lines to Montreal, they should go on from Montreal to the cable head at Sydney, or wherever it happens to be, over Canadian lines. I do not think they should be routed down to New York and out on the cable at the New York end, any more than I think a message originating in Vancouver should be routed by land lines to Seattle, carried across the United States by American facilities and put on the cable at the New York end, when they can be carried across Canada perfectly properly and put on the circuit on the Canadian cable head regardless of which company it is.

Mr. GREEN: You have had evidence given that a message from Vancouver to Japan at the present time would have to go right across to London and around the world rather than going over the Pacific. Now, is that the kind of thing you are trying to force?

Hon. Mr. MARLER: I have been talking about routing across the North Atlantic, I was not thinking particularly of Japan.

Mr. GREEN: There is a Pacific ocean too, what about that example?

Hon. Mr. MARLER: Are we talking about the possibility of a new Pacific cable?

Mr. GREEN: No. I am asking about the position at the present time. We had evidence that if a person wanted to send a cable from Vancouver to Japan by your route, it has to go right across Canada, then to London and right clean around the world to get to Japan, whereas on the commercial route it would go to Seattle and directly to Japan.

Hon. Mr. MARLER: Mr. Green, I will say at once that we would not want to dictate a routing which did not make sense.

Mr. GREEN: I beg your pardon?

Hon. Mr. MARLER: I would not want to dictate a routing which did not make sense.

Mr. HAMILTON (York West): You might not, sir, but how about a successor?

Hon. Mr. MARLER: I am quite sure, Mr. Hamilton, that there will be brighter successors than I am, and I think you can have perfect confidence in them.

Mr. GREEN: Mr. Marler, you would not be deciding the routing anyway, it would be one of your officials?

Hon. Mr. MARLER: As a matter of fact, I think the question of routing is distinctly a technical one. I am firmly convinced that it is not possible to legislate, as I said in my remarks earlier, and to dictate the route that messages would follow. But, at the same time, I would very much like to see Canadian business carried over Canadian facilities. I do not want to depart from that. I am not going to say that if it means waiting for two hours, or two days, or two weeks, to get it over Canadian facilities that that must be done. That is the reason why I believe one has got to take account of abnormal conditions.

Mr. NIXON: I think that we have had a very very heavy afternoon and I think we should adjourn.

The CHAIRMAN: We will adjourn until 8 o'clock.

EVENING SESSION

THURSDAY, JULY 12, 1956.

The CHAIRMAN: Order, gentlemen. Are there any questions?

Mr. JOHNSTON (*Bow River*): I would like to ask the minister this question. I wonder if the minister would table the application which was made by the Commercial Cable Company for permission to lay that coaxial cable? He referred to it a couple of times and I wonder if he would table it so that the members of the committee might see it?

Hon. GEORGE C. MARLER (*Minister of Transport*): I do not think I can table the application itself because it is an original document.

Mr. JOHNSTON (*Bow River*): Well could we have a copy of it put before the committee?

Hon. Mr. MARLER: It is not a question really of releasing it to the committee, I do not object to doing that, but this is the only one I have, and it is the original.

Mr. JOHNSTON (*Bow River*): It may be that tomorrow you could produce a copy of it so that it could be included in our records?

Hon. Mr. MARLER: The committee is not meeting tomorrow. So far as the application itself is concerned, I think I could undertake to file a copy of it without any difficulty, if that would be satisfactory. I would have no objection to doing that.

Mr. JOHNSTON (*Bow River*): That would be quite all right.

Hon. Mr. MARLER: I mean of the actual formal application itself, but not the plans.

Mr. JOHNSTON (*Bow River*): When you say just the formal application, what do you mean?

Hon. Mr. MARLER: I mean just the formal application, which is a matter of seven pages or thereabouts.

Mr. JOHNSTON (*Bow River*): I would like to ask the minister what would be his judgment in a situation like this: if we refused to agree to have this application accepted, to lay this coaxial cable, would it in any way lessen the speed of communication?

Hon. Mr. MARLER: Well, Mr. Johnston, I have tried to make it clear that it is not the committee which deals with the application. The application under the Telegraphs Act is made to the governor in council and the brief which the Commercial Cable Company has filed includes the formal answers that I gave on that application, and there has been no change in that situation since then.

There has been some discussion; there was originally some discussion following this letter dealing with the technical aspects of the question, but I think I am right in saying there has been no discussion at all touching on the substance of that letter since it was written.

Mr. JOHNSTON (*Bow River*): My next question is this: if we do not have the coaxial cable laid, would there, as a result of that—would there be any slowing up of the transmission of those messages? I understand the coaxial cable would hasten the sending of messages. What would be our position if we did not have one and other countries did?

Hon. Mr. MARLER: I do not think the question can be dealt with quite in that form. As I said this afternoon, the new trans-Atlantic telephone cable is a coaxial cable in which at least six telegraph circuits are to be made available by C.O.T.C.; and I think from the information that has been given to me that those six additional circuits will more than take care of the needs of the additional telegraph requirements. In addition, you will of course appreciate that the setting up of six telephone circuits at the same time in the new coaxial cable will probably diminish the amount of business that would ordinarily be transmitted by the cable, because I think most of us agree that where we can telephone, and where there is a factor of urgency, we would probably use the telephone rather than cabling. In just the same way we use the long distance telephone in place of using the telegraph service.

Mr. JOHNSTON (*Bow River*): Is it your opinion that as time goes on the telephone will replace the cable?

Hon. Mr. MARLER: I think that has been the history in telecommunication. I would not say it would replace it, but I think you will find there will be an increase in telephone communication and probably a decrease in telegraphic communication. But on the other hand, it may well be that the provision of teleprinter service and so on may account or make up for what is lost from telegraph to telephone.

Mr. JOHNSTON (*Bow River*): I have one other question. I would like to ask about this thing. If this company were allowed to lay this coaxial cable, would it result in lowered costs? I note that you said a while ago that they had made application for an increase in prices.

Hon. Mr. MARLER: I did not say that. I said that the C.O.T.C. had been under pressure by the other cable companies to increase the rates, but they did not yield to that pressure.

Mr. JOHNSTON (*Bow River*): Would the laying of this cable result in the lowering of the price?

Hon. Mr. MARLER: I think it is very difficult to give an answer to that question. What I find disturbing about it is the very substantial sum that would be paid by the United States government for the circuits in the proposed cable that it would expect to lease. The figure I gave was \$1,600,000 and I find it very difficult to assess its over-all effect on the rates generally. But it did occur to us that it might possibly give rise to a situation to which Mr. Hosking referred earlier in the day where the services to Canada might be regarded almost as a by-product of the main cable. That is a matter of opinion, and I am sure that it is probably not shared by the Commercial Cable

Company. But I find it very difficult to speculate at all on what the result would be when you earn such a substantial amount from a lease to the government.

Mr. JOHNSTON (*Bow River*): What I had in mind was this: that if we were to permit the laying of this cable by the Commercial Cable Company and assuming that it has so many more channels than the other companies combined, and with the huge grant which they would get from the United States government, that they may be in a position—I do not say that they would do this—but they would be in a very good position to go out and seek more business with a lowering of the rates which would make it unprofitable for the others to continue.

Hon. Mr. MARLER: I shall have to leave you to form your own conclusions from the facts, but I can understand that line of reasoning.

Mr. CARTER: Can you say what relationship that \$1,600,000 which you mentioned would have to the capital investment?

Hon. Mr. MARLER: I find it a little difficult to tell you what the capital investment is expected to be because initially in my file of correspondence there was mentioned the sum of \$25 million, but later it appears to be mentioned as \$35 million, and I do not know which is the correct figure.

Mr. NESBITT: I have one or two questions to ask on this point. First of all, I think this is a very pertinent question indeed and it is this: at the present time does the Department of Transport or the governor in council or anybody else, or any other authority—have any power to control the rates which are charged by the various companies?

Hon. Mr. MARLER: There are some provisions in the Telegraphs Act, but I am told there was a question as to whether they are effective in as much as they do not seem in their terms to extend beyond the territorial limits of Canada. There is also a provision in the Railway Act which would give jurisdiction to the Board of Transport Commissioners over cable rates. My understanding is that that section of the act has not been proclaimed.

Mr. NESBITT: I would say in that connection, since you are in doubt as to whether any existing regulation would regulate rates by either the Board of Transport Commissioners or anybody else, that there is a possibility; and one of the things which worries the government would be that because of the form of the subsidy to the Commercial Cable Company, that they might be able to engage in a rate war or something like that.

Hon. Mr. MARLER: Perhaps I should put it to you this way—that while the rates may be uniform the amount which might be spent to attract business might be greater in one case than in another.

Mr. NESBITT: I see, you mean for advertising?

Hon. Mr. MARLER: Yes, or the amount paid under the traffic agreements might be greater in one case than in another. I am not suggesting that the company would do these things, but there is the possibility which I think should be considered at the same time that one talks about rates.

Mr. NESBITT: A moment ago there was a section of the act mentioned which gave jurisdiction to the Board of Transport Commissioners.

Hon. Mr. MARLER: That was the Railway Act.

Mr. NESBITT: Yes. What would be the objection to having that section proclaimed?

Hon. Mr. MARLER: I think the answer to that is that the existence of competition between the three cable companies at the present time has brought about what seems to me to be an ideal situation, that competition is keeping the rates down rather than some government orders.

Mr. NESBITT: That is the crux of the government's objection to the argument put forth by the Commercial Cable Company, and it would seem to be this: that because of the great number of increased—I hate to use the word—"outlets", by the addition of the coaxial cable, and I suppose the indirect form of subsidy by the United States government to the same company, that it might possibly give this company an advantage not only as far as the rates were concerned, but indirectly by attracting business or something of that nature; and also the fact that they would have such a large number, such an increased number of outlets to carry the business.

Hon. Mr. MARLER: An increased number of circuits, yes.

Mr. NESBITT: That is right, as compared to the other existing companies.

Hon. Mr. MARLER: As I mentioned this afternoon, the application was made for 24 circuits to be terminated in Canada, and that is more than all the existing cables which are now serving the north Atlantic. I would think that anybody faced with that situation, where Canada alone doubles the whole of the existing facilities which are provided to serve the North American continent, would find that sort of thing rather disturbing.

Mr. NESBITT: I can follow the thinking as far as the form of indirect subsidy is concerned, in itself, but I do not quite understand just how an increase in the number of circuits of this coaxial cable would give to the Commercial Cable Company such an additional advantage. I can see where there might be some cause for worry over the subsidy, and I can follow that line of reasoning quite easily, but I cannot quite get it straightened out how an increased number of outlets would necessarily affect the other companies.

Hon. Mr. MARLER: Well, it is a little difficult to break down a project and look at one aspect of it only. If you take out the \$1,600,000 to be paid by the one renter alone, it at once changes the picture very much, but what I find difficult to accept is that we should be faced with a situation where our existing capacity—I am told that the Commercial Cable Company can handle the Canadian business with a double duplex circuit and that is the number it now has; that may not be correct, but that is the information I have been given; while here we have 24 duplex circuits that are being proposed to be opened in Canada. I find that figure very disturbing.

Mr. NESBITT: I think that is at the crux of the problem. I can see, as I said before, why there might be some cause for worry because of this subsidy because it might attract business and tend to injure the other companies which are in competition. But, Mr. Minister, what is the situation at the present time when you have said that the Commercial Cable Company can carry its business on—

Hon. Mr. MARLER: I am talking about the Canadian business only.

Mr. NESBITT: Was it on two circuits?

Hon. Mr. MARLER: I understand two duplex circuits. I would not be in a position to prove that and I do not ask the committee to accept it.

Mr. NESBITT: For argument's sake, let us assume that that is the case. What particular difference would it make if there were a great many media of communication; because if they could not use them, what difference would it make whether they had twenty-four additional outlets, or twelve, or six?

Mr. HAMILTON (York West): He means, who is it disturbing?

Hon. Mr. MARLER: I think it is disturbing both C.O.T.C. and Western Union. It is obviously not disturbing themselves because they are the third factor.

Mr. NESBITT: It is disturbing C.O.T.C. and Western Union possibly.

Hon. Mr. MARLER: Yes. I think I made it clear this afternoon—certainly I tried to—that what is basically the difficulty here is the provision of duplicate facilities which we do not think are required.

Mr. NESBITT: I understand that the objection is to having duplicate facilities, but if the government is not putting up the money, and if some private company wants to spend a lot of money putting in duplicate facilities, what is the objection?

Hon. Mr. MARLER: If one had no concern as to the consequences, it would not make any difference.

Mr. NESBITT: It is a very complicated problem and I am trying to get to the bottom of it.

Hon. Mr. MARLER: I do not think that I can add anything further to what I have already said. I have said it in about six different ways. I think that what we are talking about is unnecessary duplication, and, I think, in the last analysis, the people who would have to pay for it are the people who are going to use, or not use, the service.

Mr. NESBITT: If there is competition at the present time, as you stated there was, it may well be true that because of this indirect type of subsidy that the Commercial Cable Company is going to receive from the government of the United States that they may be in a better position to attract business. I can see that point. But I cannot see what disagreeable consequences would arise in the abstract—and to whom—by having some duplication of channels of communication if the present existing channels are adequate or more than adequate.

Mr. HOSKING: Would not a similar situation be this: if you went and bought all the wheat and decided to build a railway across Canada and promised the company building this railway all the business of moving wheat, would that not be a similar situation to this with respect to communications?

Mr. NESBITT: I can see what you are getting at; but I do not think so for this reason, that it has always been the practice in this country when a railway got itself in a position like that that it became a part of the Canadian National Railways system.

Here we are dealing with cables which are outside of the country itself and over which the country has no responsibility other than when they touch our shores. I cannot see what the minister's concern is when some private company is laying cables under the ocean outside the territory of Canada. I cannot see why that would make any particular difference to the government. I am sorry but I am not able to see that.

Mr. LEBOE: Mr. Chairman, it seems to me here that we have a situation which is almost a paradox. In one breath the minister says that the C.O.T.C. is protesting a rise in rates. In the next breath we are registering fear of unfair competition. Is that not true?

Hon. Mr. MARLER: Mr. Leboe, that would be true if we were forgetting entirely about the new cable. What I am talking about is a situation which exists at the present which is regulated by competition and I am expressing apprehension as to the effect on that situation of the building of another cable expected to have twenty-four outlets into Canada and which is receiving in rent \$1,600,000 from the United States government.

Mr. LEBOE: Are you suggesting, Mr. Minister, then that in the face of the competition of C.O.T.C. and the other companies that the company making the application now is going to go ahead on this proposition knowing full well that they are going behind the eight-ball, as it were, in the long run?

Hon. Mr. MARLER: I do not just say that they are behind the eight-ball in the long run. I think, if they have \$1,600,000 for ten years to start with from the United States government—

Mr. LEBOE: Is that rent?

Hon. Mr. MARLER: Yes.

Mr. LEBOE: If you were to rent services from the company that wanted to put this coaxial cable across, you would be doing the same thing as the United States government is doing on the other side.

Hon. Mr. MARLER: I can assure you that we are not going to pay \$1,600,000.

Mr. HAMILTON (*York West*): There is nothing unusual, Mr. Chairman, about this method of financing construction—is there?

Hon. Mr. MARLER: I am not suggesting that there is anything unusual. I suggest that when a cable company starts off with a government rent of \$1,600,000 for some of its circuits, that it gives it a very great advantage over its competitors. So far as the C.O.T.C. is concerned, I do not mind expressing my own apprehension as to what would be the effect on Canadian telecommunications if we have Commercial Cable Company coming into Canada with twenty-four outlets and \$1,600,000 in rent coming from the United States government. All I can say is that I am fearful of the effect which it may have on C.O.T.C. I do not want to see C.O.T.C. operated at a deficit, and I do not want to see them put out of business by foreign competition.

Mr. HAMILTON (*York West*): Nothing has been said here in respect to the plea which the company made on peak loads and the time zone of doing business in a foreign country, for instance in Europe and Canada. A time limit may bring their operating time for business down to two hours and their claim was that there are times when there are many many more circuits needed.

Hon. Mr. MARLER: I imagine that that applies to all business in some form, that they have peak loads of one kind or another.

Mr. HAMILTON (*York West*): Does not a peak load bring in the situation where service comes into the picture? It is not what we charge for the service, but rather the amount of service which goes with the charge.

Hon. Mr. MARLER: I do not see just what observation I am expected to make on that statement.

Mr. BARNETT: Mr. Chairman, while there is a lot of subject matter relating to the question of this cable which the Commercial Cable Company has applied for, after all when one boils it down we are dealing with a subject matter which, as I understand it, comes under section 22 of the existing act, under which section the minister, rightly or wrongly, has already taken certain action. It seems to me that we should direct some of our questions more particularly to the bill which is before us.

It does seem to me that some of the questions which were raised earlier today by the representatives of the Western Union bear much more directly upon the proposed amendment to the Telegraphs Act than does this question of the building, or otherwise, of this coaxial cable. In particular, it does seem to me that the questions which were raised bear directly upon the provision in this licensing part of the Telegraphs Act which is being proposed in respect to the regulations which are going to be put into effect.

Now, looking over the proposals under the various subsections of section 42, it seems to me that subsections (a) and (b) are fairly routine, but that the operational part of the regulations which are proposed would come under subsections (c), (d) and (e). I think that we might have some further elaboration from the minister on the questions raised as to the desirability or otherwise of having this proposed part of the act applicable to the cable installations.

I think that it might be quite helpful to the committee if the minister could indicate in a more definite way than he did earlier, just what he has in mind in respect to the regulations.

I recall a case, a year or so ago, when we were considering another licence bill—the International Rivers Bill—and at one stage in the discussion the minister who was piloting that bill through parliament did agree to submit to the committee a memorandum of what the governor in council had in mind in the way of regulations. I do not know, at this particular moment, whether I would request the Minister of Transport to do the same thing here, but I think it would be valuable if he would elaborate a little more fully on what is in his mind. It seems to me the real meat of this bill is not only what is going to be done under the regulations, but if we are going to understand its real purpose we should have further direction. I am also going on the assumption, inasmuch as the bill consists so largely of what is going to be in the regulations, that before the bill was drafted, undoubtedly there must have been some consideration given as to what would be required by way or regulation and, therefore, we should have to have that information available to us.

The first point, perhaps, would be in relation to this question on the application of this proposed act to the already existing cable lines that are in operation at the present time.

Hon. Mr. MARLER: Mr. Chairman, I thought, when we got to the point of dealing with the bill clause by clause, that I would try to answer that request.

Mr. HOSKING: If this Bill 212 is passed, would there be favourable consideration given to an application for the company to lay coaxial cable?

Hon. Mr. MARLER: What I said this afternoon, Mr. Hosking, was that at the present time, so long as the Telegraphs Act remains in its present form, I think that we must maintain the attitude that we have taken and which is expressed in the letter which I wrote to Mr. Maclaren. If the act is amended, in the sense of this bill, I think it puts the company seeking the application in a slightly different light. But I think that I should repeat what I said this afternoon that I am not anxious to start increasing the number of circuits so far as Canadian business is concerned until we have seen what is the effect on telephone and telegraph communications on the opening of the new trans-Atlantic cable in October.

Mr. HOSKING: As I understand your answer, it says in effect that if they wanted to go ahead and build a coaxial cable without expecting to get any additional rent in Canada—

Hon. Mr. MARLER: We would have no objection.

Mr. HOSKING: You would let them go ahead and if we needed any more service, and it was available to us, it would be there.

Hon. Mr. MARLER: I think that the act enables me to do things in that way in the new bill, which the present law does not.

Mr. LEBOE: There is a question in my mind that with the teletype service which we have, between Canada and the United States, as I understand it, it is an unregulated teletype service between Canada and the United States at this moment.

Hon. Mr. MARLER: That is not affected by this bill.

Mr. LEBOE: Supposing the cable is landed into the shores of the U.S., there is nothing to prevent the teletype relaying that message from a United States centre and travelling on the United States lines?

Hon. Mr. MARLER: No, I think there is not, as a matter of fact. Of course, if the situation became confused it would be possible to enact the legislation to cover it.

Mr. LEBOE: In other words, to prevent the teletype transmissions?

Hon. Mr. MARLER: Yes, if that was thought desirable. I am not suggesting that I do think it is desirable. When we are talking about a hypothetical situation, I do not like to predict hypothetical actions.

Mr. LEBOE: These things do develop the pressure of business?

Hon. Mr. MARLER: Of course they do.

Mr. LEBOE: I think if that were the case, and I am particularly thinking that if I were in business, and it became convenient for me to use the teletype to get on through or take the routes such as has been suggested here by the company, that I would certainly use that method to get through and divert the business through the United States.

Hon. Mr. MARLER: That is why I said that I thought we had to take into account normal conditions. When your circuits are down, when your circuits are overloaded I think we have got to take a reasonable view with regard to the route this would follow. But, on the other hand, I am quite sure, Mr. Leboe, you would agree it would not be desirable, that it should become normal that the business that might reasonably and conveniently, and without any loss of time, be transmitted over Canadian facilities in Canada, should be carried over United States circuits.

Mr. LEBOE: The thing I cannot figure out, if we are going to take the teletype set here and operate through into the United States to carry our peak load, why should we not have connections directly into Canada so that they would at least be carried on Canadian wire, at least from, say Vancouver, or Montreal, or wherever the outlet is?

Hon. Mr. MARLER: I agree with you on that.

Mr. LEBOE: And having circuits here provided for by these companies without a dollar invested by the taxpayers of Canada would seem to me would be to the benefit rather than the loss of business?

Hon. Mr. MARLER: Mr. Leboe, you are perfectly entitled to that opinion, but I do not share it.

Mr. NESBITT: Mr. Minister, regarding section 22, I believe it is, of this act, are there any doubts in the minds, say of the Department of Transport, as a result of consultation with the Department of Justice as to the legal force of that act regarding the governor in council?

Hon. Mr. MARLER: No. This afternoon, Mr. Nesbitt, I read an excerpt of the opinion of the Deputy Minister of Justice, which made it perfectly clear that the governor in council can refuse to grant an application for a landing permit if he believes there are good grounds for doing so.

Mr. NESBITT: Then there was no doubt in the mind of the department about it. Is there any suggestion, Mr. Minister, that section 4, as proposed under Bill 212—is it your opinion, Mr. Minister, after consultation with the Department of Justice, that Bill 212 will increase the efficacy of section 22?

Hon. Mr. MARLER: Frankly, I have not asked the Department of Justice that specific question. But, the bill was designed in order that we could do things, that I think there are some doubts about under section 22 as it is now written.

Mr. NESBITT: It would increase the powers?

Hon. Mr. MARLER: I think I said in the house, or certainly I intended to say, that it seemed to me that it gave much more flexibility in the administration of the act to the governor in council. It would enable him to distinguish, or to find something intermediate between a yes or a no solution.

Mr. HAMILTON (*York West*): It would enable him to deal with companies that already had their lines laid as distinct from companies that are to lay lines, as I see it under section 22. You could impose conditions on the laying of a new line, but you might not be able to do it in connection with the use of present lines?

Hon. Mr. MARLER: I do not think we could, quite frankly.

Mr. HAMILTON (*York West*): No; so that this section, this act is chiefly to deal with those companies which are already in business?

Hon. Mr. MARLER: I will not subscribe to the word "chiefly", but it has the effect of dealing with both applications for new landing permits, in the way that I have already touched on. Secondly, in exercising some control over the activities of the cable companies with regard to the cables that happen to be there at any particular time. Those include, I think, the opening of additional circuits, the introduction of equipment which may greatly increase the number of circuits in Canada. Moreover, I think it would give us, as I said in the house, something to say about the routing of traffic.

Mr. NESBITT: Mr. Minister, having had a little time to reflect on some of your comments of a few moments ago, am I right in gathering from your remarks that the worry about the increased number of outlets that this suggested coaxial cable that Commercial Cable Company would have would be the effect that in case they would be able to increase their business by inducements due to this subsidy, that they might drive all the business out of the existing cables that belong to competing companies into their own additional outlets, leaving the other ones blank?

Hon. Mr. MARLER: Perhaps that is imaginative, but I think it is a perfectly legitimate reflection on the state of affairs, that I believe would have resulted if we had accepted the application as it was presented.

Mr. NESBITT: That, I take it, is the concern?

Hon. Mr. MARLER: Yes.

Mr. NESBITT: There are no subsidies, direct or indirect, in any way that the C.O.T.C. receives?

Hon. Mr. MARLER: No, there are none at all.

Mr. LEBOE: This is not a subsidy, is it; it is a rental?

Hon. Mr. MARLER: I do not call it a subsidy, Mr. Leboe, except using the term in the loosest form.

Mr. LEBOE: I think it is a lease or a rental.

Hon. Mr. MARLER: Yes. As we all know, when it comes to renting something to the government we will have an opinion as to whether a rental is an economical rental, a distress rental or a very generous rental.

Mr. HAMILTON (*York West*): I would suggest that that is a very general way of financing. It is done even in building?

Hon. Mr. MARLER: Yes, of course it is.

Mr. HAMILTON (*York West*): Where the lease arrangement is arrived at in advance, and the financing is then obtained for the construction of the building.

Hon. Mr. MARLER: Quite so. I think it is a perfectly understandable arrangement, but when one comes to appreciate its effects, and they go outside the country where the operation occurs, then I think the situation becomes, as I said, disturbing.

Mr. HAMILTON (*York West*): Mr. Chairman, the frightening thing to me in the minister's statement is that it goes beyond the question of outlets, I think it is quite apparent now that it is his proposal to regulate within the

country the method of the sending of cablegrams. I think that he has used the terms, and I do not think I am misquoting him, routing within the country to see that—

Hon. Mr. MARLER: I did not say “within the country”; you are saying that.

Mr. HAMILTON (*York West*): Routing so that it would ensure that under certain circumstances, lines in Canada would be used for purposes, which I can only gather is a complete blanket control over the facilities that presently exist here.

Now, pursuing Mr. Nesbitt’s questioning and Mr. Leboe’s, I fail to see, and I go one step further, what possible adverse effect the availability of the outlets would have when we have listened today to evidence, with one exception I think, or two, collection places in the country—the business itself is collected and dispersed by the two main telegraph companies, the Canadian Pacific and the Canadian National.

Now, the mere fact that 23 outlets, or 50 outlets exist is not going to be effective, it seems to me, sir, at the consumer level unless there is a good sales organization in those companies to make use of it. The person who places his telegram is not going to think: “Well, I have got 23 different outlets if the Commercial Cable Company is involved here, and I have only got two simplex chances with C.O.T.C., if I go to the Canadian National instead of the Canadian Pacific.” I cannot see any direct competition resulting from the availability of those outlets. It seems to me that it must be only imaginary, in so far as the government controlled company is concerned.

Mr. LANGLOIS (*Gaspe*): Do you want to create a monopoly with the American company?

Mr. HAMILTON (*York West*): This will not create a monopoly.

Mr. LANGLOIS (*Gaspe*): Mr. Chairman, today great emphasis was laid on the need for additional circuits to handle Canadian traffic. Since this question of the rejection of the application by the Commercial Cable Company was brought into the discussion, I wish to say that this application was not turned down on the basis of what was said here today, but on the basis of the contents of the application itself. I wish to quote from this application, since I understand it has been agreed that it should be added to the record:

“The applicant—” the present government capacity is limited to 8½ duplex channels—

The applicant has made no survey in Canada with respect to the need for additional facilities, but is inclined to believe that the increasing demand as is found in the United States similarly applies in Canada.

It was on the basis of this that the application was judged and was considered, not on the basis of what was said today as far as the necessity for additional facilities to handle Canadian traffic.

I thought the committee should have this fact in the records.

Mr. BELL: Mr. Langlois, what does that prove? I fail to see the reasoning.

Mr. LANGLOIS (*Gaspe*): It proves that what was said today, as far as the necessity for additional facilities, was not even considered when the application was made, because it was not even mentioned in the application. They went further than that; they said that they made no survey in Canada. I was quoting from the application made by Commercial Cable and you will see for yourself—it is part of the record.

Mr. HAMILTON (*York West*): To follow that up, how do you say it creates a monopoly?

Mr. LANGLOIS (*Gaspé*): I am not using that as an argument for or against a monopoly. I am just drawing that to your attention in order to demonstrate that when the application was considered it was considered—or rejected—on the basis of what it contained and not on the basis of what has been put before the committee today.

Mr. NESBITT: Mr. Chairman, Mr. Langlois has just proposed a question to a member of this group here asking whether we wish to set up a monopoly for an American firm. I wish you would explain yourself a little further. Just how would that follow from the questions we have asked?

Mr. LANGLOIS (*Gaspé*): Well, you are apparently prepared to let this company have 24 additional circuits, which is more circuits than we have now for all these other companies combined for their operations with regard to all traffic, and in addition to that you seem to be against having a certain measure of control on the routing of the traffic even within the borders of Canada. For example, if we say to the company: "You have a cablegram being taken in Vancouver; if you wish you can send it through our C.O.T.C. or the C.P.T. but also, if you wish, you can send it by land-line to Seattle and use American facilities only," by doing so I think you would be creating a monopoly in favour of the American company to the detriment of those who are investing in facilities in Canada.

Mr. HAMILTON (*York West*): How does that create a monopoly, if you have the right rate here, to say they can send it to Seattle by whatever route they choose?

Mr. LANGLOIS (*Gaspé*): It would be creating a monopoly to the detriment of the Canada telegraph companies.

Mr. HAMILTON (*York West*): None of you seem to have mentioned that it would be to the detriment of the Canadian people. You have been talking about the company all the time, but nobody has proved it is going to injure them.

Mr. HOLOWACH: I would like to ask one simple question, Mr. Chairman. Would you say there is insufficient business in the country at the present time in your opinion and on the basis of your knowledge of the circumstances in the foreseeable future to justify another cable?

Hon. Mr. MARLER: Mr. Holowach, when we are talking about another cable I suppose we must be thinking in terms of the Commercial Cable, which is the only one we are considering. Actually I do not believe that the business available in Canada, which is now being carried, with all the American business, over 18½ duplex circuits now needs 24 duplex circuits exclusively for Canadian business.

Mr. HOLOWACH: Are there any figures or statistics available with respect to the revenue which would accrue to the government by reason of allowing the company to acquire a licence for carrying out that project?

Hon. Mr. MARLER: Quite frankly we did not consider that aspect of the question at all.

Mr. HOLOWACH: One more question. A great deal has been mentioned about defence and an American monopoly has also been mentioned. I think that is a very fair argument in the matter of defence. I think all of us must realize that we are interdependent with the United States with regard to the defence of this continent. The question I would like to ask is this: supposing a situation should arise where the existing cables are interfered with. We all know that in time of crisis there is comfort and strength in numbers. Would you not say that the more cables there are the better our defence?

Hon. Mr. MARLER: Mr. Holowach, it was because we were impressed by this defence need that we told the Commercial Cable Company that we were

prepared to grant them the necessary landing permit and to allow them to open circuits in Canada for defence purposes in so far as existing circuits were insufficient. It is because we were impressed with the defence need and the advantages from the point of view of defence that we said we would be prepared to go as far as that. But my understanding of the situation is that it is the view of the company that the cable cannot be supported on defence needs alone. In fact, as I said this afternoon, the situation as represented to us means in effect that of 120 circuits 96 would be going to the United States which is, roughly speaking, about 16 times as big as Canada. The American business plus the defence needs will not support 96 circuits, and the contention is, they must have the Canadian business in order to make the cable an economic proposition. I am entirely favourable to the development of communications for defence purposes and for that reason no objection has been raised to the establishment of circuits for defence purposes in Canada, but I do not want in the name of defence to increase the commercial outlets by the proportion which was asked for in this application.

Mr. NESBITT: Mr. Minister, since there was unquestionably a doubt or a suspicion or a fear in the mind of the government that these additional outlets might, because of the indirect form of subsidy that the Commercial Cable Company is going to receive from the United States government eventually lead to the cable business becoming a virtual monopoly of the Commercial Cable Company, do you think, Mr. Minister, that if either directly or indirectly—directly by cutting prices or indirectly by attracting business—that the other cable companies, one of which is C.O.T.C., which is a crown corporation, would not turn to the Canadian government for assistance? Do you think that any privately owned company, no matter how large it might be, would indulge in anything so foolish as that, knowing full well that the C.O.T.C. is backed by the Canadian government and all the resources thereof? Such a course would lead inevitably to great financial hardship which no private company could afford to suffer.

Hon. Mr. MARLER: Surely you do not believe that it is the Canadian government which provides the customers for C.O.T.C., and if C.O.T.C. is engaged in an unequal struggle for customers all the prestige of the Canadian government and all its financial backing would not produce them.

Mr. HAMILTON (York West): Why should the struggle be unequal?

Hon. Mr. MARLER: Do we have to go over all that again? Surely we have said that half a dozen times.

Mr. HAMILTON (York West): I would like someone to repeat it.

Hon. Mr. MARLER: Well, frankly, I am not going to repeat it.

Mr. HAMILTON (York West): What is the unequal struggle from the point of view of getting business?

Hon. Mr. MARLER: Has C.O.T.C. got anyone who is giving them \$1,600,000 for these circuits?

Mr. HAMILTON (York West): No. but we are lending \$6,000,000 to C.O.T.C. this year.

Hon. Mr. MARLER: And we are getting interest on that as we would from any other loan.

Mr. HAMILTON (York West): The question of whether we get interest on it or not is problematical.

Hon. Mr. MARLER: It is not. It has always paid its obligations.

Mr. HAMILTON (York West): It has to date but if we continue this expansion program who knows what it will do.

Hon. Mr. MARLER: We do not know what is going to happen if six or nine additional circuits are added, so we should have 24 more, is that it?

Mr. HAMILTON (York West): What I am suggesting is this: when you talk of inequality could you bring that inequality down to the level of the consumer. Does the mere fact of there being 23 outlets create inequality, or does \$1,600,000 do it?

Hon. Mr. MARLER: I suggest it is a combination of both.

Mr. NESBITT: I can see what the minister is getting at with his proposition that the Canadian government could hardly get business for C.O.T.C. and I would quite agree with the minister on that as far as he goes, but if it came to the attention of the government that Commercial Cable Corporation by direct means or other methods was inducing business away from the other companies, either by charging less or by means of advertising in one form or another, I suggest it would hesitate to provide the C.O.T.C. with full backing and assistance in reducing rates, on a temporary basis in order to equalize the matter. If the Canadian government felt that this company was using its form of subsidy in an improper manner, there would be nothing to prevent it doing that.

Mr. HOSKING: But would you recommend that the government spend the taxpayer's money in that way? Does it not come back exactly to the illustration that I used when I spoke about two railway companies operating railroads across Canada and a new company saying "We will build a third line and put all the wheat from the west on this third railway line". In certain circumstances it might well cut the rates—they might cut the rates on their line, but what would happen to Canada? The two existing railway companies would go broke or else the taxpayer would be required to subsidize them more than it does now. It is an analogous situation.

Mr. NESBITT: The question I believe I put to the minister, Mr. Chairman, and I asked this in the House of Commons as well, was this: would any private company in the opinion of the minister, knowing that the C.O.T.C. has the Canadian government behind it endeavour to engage in a price war or a business war directly or indirectly. I do not think they would for one moment.

Hon. Mr. MARLER: But, Mr. Nesbitt, the party to which you belong would be the first to criticize me if by some action of the government or by failure to take some action, C.O.T.C. ceased to be a factor in the communications business.

Mr. NESBITT: As a matter of fact our party would probably have said you never should have got into it in the first place.

Hon. Mr. MARLER: That, of course, is tantamount to saying that Canada should have no part in the external communications field at all.

Mr. NESBITT: But I do not think that is so.

Hon. Mr. MARLER: That is what you are saying.

Mr. NESBITT: There was a company in existence—I do not know whether you purchased a "dead duck" or not—

Hon. Mr. MARLER: No, we did not purchase a "dead duck".

Mr. NESBITT: There was a company which was handling this, and it was taken over.

Hon. Mr. MARLER: And it is the case that it got very close to bankruptcy.

Mr. NESBITT: That is so, it was in debt to one of the banks for about \$2 million.

Mr. HOLOWACH: I have one more question: has the minister any knowledge of the United States government interceding or making any representation on behalf of the company that is trying for these facilities?

Hon. Mr. MARLER: I would as soon not answer that question, Mr. Chairman.

Mr. LEBOE: There has been some mention of paying income tax and I am wondering if depreciation allowance has entered into the accounting in connection with arriving at the profit figure.

Hon. Mr. MARLER: My understanding is that C.O.T.C. has always charged normal depreciation.

Mr. LEBOE: There was one other thing which is in my mind in respect of this matter: there was some mention of an agreement and I think the answer to the question I just asked was read out of the Radio Act but I now understand from some of the references made here today that the Radio Act was not applicable to the cable communications.

Hon. Mr. MARLER: My understanding of it—in fact I was informed after the committee met this morning—is that the Radio Act was amended to change the wording which had previously existed. It was originally in respect of radio but was afterwards changed to embrace the whole field of telecommunication, that is, that these agreements are not binding on any subject in Canada because they have not been implemented by legislation. The only implementation of the agreement that I am aware of is the incorporation in 1949 of C.O.T.C.

Mr. BELL: How about the governor in council; do these international conventions go before the governor in council?

Hon. Mr. MARLER: I think in some cases an order in council has been passed.

Mr. BELL: But they do not have any legislative effect in the country?

Hon. Mr. MARLER: No.

The CHAIRMAN: Gentlemen, how would it be to take up this bill now clause by clause?

Mr. HAMILTON (York West): I do not think we are quite finished. The only suggestion I have is that after we finish with the minister perhaps we might recall—I would like to ask a couple of questions of some of the other witnesses, since the minister has said, I think, that we will not be sitting tomorrow.

The CHAIRMAN: Yes, we shall be sitting in the morning.

Hon. Mr. MARLER: I thought we would finish this afternoon and in that expectation we more or less expected that we would not be sitting tomorrow, but if we are not going to finish tonight, I think we should sit tomorrow as originally planned. All I can say is that I am in favour of adopting this bill right now.

Mr. HAMILTON (York West): That would be fairly apparent, yes.

Hon. Mr. MARLER: And vice versa, I think we might say, too.

Mr. HAMILTON (York West): Yes, I think we have fairly well made up our minds too. I am asking the minister, Mr. Chairman, if there was any consultation held with the present cable operators before permission was granted in 1936 for the voice circuit under the new partnership agreement; was there any consultation with them on the basis that their future requirements were surveyed, and were they asked if they felt they would need or would require additional services before we permitted this to go ahead?

Hon. Mr. MARLER: Have you finished your question?

Mr. HAMILTON (York West): Yes.

Hon. Mr. MARLER: The answer is that the T.A.T. cable was laid after governmental consultation. But the cable companies were not consulted be-

cause so far as the American segment of the cable was concerned, it is to be used only for telephone purposes and not for cable, and so far as Canada is concerned, we are adding six to nine telegraph circuits to the over-all number.

Mr. HAMILTON (*York West*): Surely this is a type of arrangement or licensing which must present considerable competition for the current Canadian operators?

Hon. Mr. MARLER: I am afraid I do not follow you.

Mr. HAMILTON (*York West*): Does not the licensing of this type of operation cause some concern for the C.O.T.C., or are they involved in it?

Hon. Mr. MARLER: Involved in what?

Mr. HAMILTON (*York West*): In the voice circuits and in the partnership?

Hon. Mr. MARLER: They have six voice circuits out of a total of 36.

Mr. HAMILTON (*York West*): And C.O.T.C. is taking a part in that as a partner?

Hon. Mr. MARLER: Yes, I think that probably describes it.

Mr. HAMILTON (*York West*): Notwithstanding that there was no consultation with the other two cable companies?

Hon. Mr. MARLER: That is correct.

Mr. HAMILTON (*York West*): Was it not thought in equity that they might be consulted before these additional companies were placed in a competitive position with them?

Hon. Mr. MARLER: I find it hard to see why there should be consultation. There was no consultation when any of those previous cables were laid. For example, in 1928 Western Union laid a cable which had six or eight circuits in it; but there was no consultation, I assume, at that time between that company and the others, nor do I see any reason why there should have been.

Mr. HAMILTON (*York West*): I only felt, Mr. Chairman, that there is a fair amount of consultation in connection with the present cable company's application.

Hon. Mr. MARLER: I am afraid that I do not understand.

Mr. HAMILTON (*York West*): I do not see any difference actually in the circumstances which arose on the one hand where additional competition may be of a different type that was being created for the two existing cable companies and in the creation of this new company and its licensing. This is a situation where one of them came forward and we have a great deal of consultation in connection with whether or not it should be allowed to compete on a different basis.

Hon. Mr. MARLER: Yes; but the addition of 24 circuits as opposed to six is pretty substantial, I think. At all events, I really fail to see where the need for consultation arises. I think that is a function which the government itself must assume.

Mr. BARNETT: As I recall it, the main concern so far as the big coaxial cable is concerned, is in respect to telephone communications. Is my recollection correct that the arrangement was that the Canadian operating telephone companies would tie in with the facilities of that cable?

Hon. Mr. MARLER: Yes, that was the expectation.

The CHAIRMAN: Are you ready to carry the bill clause by clause?

Mr. HAMILTON (*York West*): There was a reference made to consultation with other governments. Has our government been in direct communication with the other governments involved, the United Kingdom and Denmark, concerning this?

Hon. Mr. MARLER: Yes.

Mr. HAMILTON (*York West*): What was the substance of our communication with them?

Hon. Mr. MARLER: I am not at liberty to add anything more to what I have already said on that subject.

Mr. HAMILTON (*York West*): Are the communications of those countries we have spoken about completely controlled by government-owned communication companies?

Hon. Mr. MARLER: I cannot say what the position is in the United Kingdom, but my understanding is that they are under the control of the Postmaster General; but so far as Greenland is concerned, I do not think there is any analogy between Greenland and the United Kingdom or Canada.

Mr. NESBITT: This afternoon the minister gave us a great number of reasons, or a great many ways whereby if the government wished to establish a monopoly for C.O.T.C., how it could do it, and that there was a much more direct way if they wanted to use it, and they could have done so. Just in that line, would the minister specify that it is not the intention of the government to establish in any shape, manner or form the setting up of a monopoly for C.O.T.C. by means of this bill or anything relevant to it?

Hon. Mr. MARLER: Without any hesitation!

Mr. HERRIDGE: You said so three times.

Hon. Mr. MARLER: Yes, and this is the fourth time, and I hope it will be sufficient!

Mr. NICHOLSON: I find from the records the words of a great Canadian when a similar proposition was made with respect to radio broadcasting. I refer to the Right Hon. R. B. Bennett who said this at page 3035 of *Hansard* for May 18, 1932:

Secondly, no other scheme than that of public ownership can ensure to the people of this country, without regard to class or place, equal enjoyment of the benefits and pleasures of radio broadcasting. Private ownership must necessarily discriminate between densely and sparsely populated areas. This is not a correctable fault in private ownership; it is an inescapable and inherent demerit of that system. It does not seem right that in Canada the towns should be preferred to the countryside or the prosperous communities to those less fortunate.

Mr. JOHNSTON (*Bow River*): What has that got to do with the bill we are considering?

Hon. Mr. MARLER: It is a very interesting statement!

Mr. HAMILTON (*York West*): I think that "R.B." would turn over in his grave if he knew what this government had done to the C.B.C.

Hon. Mr. MARLER: He would probably have turned in his grave several times if he had heard the hon. member from York West.

Mr. NICHOLSON:

In fact, if no other course were possible, it might be fair to suggest that it should be the other way about. Happily, however, under this system, there is no need for discrimination; all may be served alike. Equality of service is assured by the plan which calls for a chain of high power stations throughout Canada.

And then over on page 3036 I quote:

I believe that there is no government in Canada that does not regret today that it has parted with some of these natural resources for considerations wholly inadequate and on terms that do not reflect the principle under which the crown holds the natural resources in trust for all the people.

Mr. HAMILTON (*York West*): Hear, hear! That last sentence really sums it up.

Mr. LEBOE: Since the thing was introduced, I imagine we will all get some television up in the northern areas and a better service from the C.B.C. since this has been read into the record.

Hon. Mr. MARLER: We will have to put another clause in the bill for you.

Mr. LEBOE: I have another question.

Mr. HAMILTON (*York West*): I would like to have some of these gentlemen recalled in the morning.

The CHAIRMAN: Very well.

Mr. LEBOE: I have one more question; it may not be important to you, but sometimes things which are not important to others are important to us. You mentioned that you could not very well have a unilateral deal, and it was touched on by the hon. member for York West. I am wondering just how far we can follow that line of thinking. If we have telephone conversations every day between the United States and Canada, where the United States is a foreign country, there is admittedly no water boundary, but it is a land service.

Hon. Mr. MARLER: If you have not got water, then this bill does not apply.

Mr. LEBOE: But in principle we are saying that in particular situation it could arise.

Hon. Mr. MARLER: That still is applicable only to external submarine cables, and you notice that we do not include in it the services by submarine cable wholly under fresh water, and that applies to land too.

Mr. LEBOE: We could make the water very fresh, but when you say a unilateral agreement, once the cable is brought into the other country, it is there for them too.

Hon. Mr. MARLER: Of course it is.

Mr. LEBOE: I thought in trying to protect this crown corporation the government had a tiger by the tail.

The CHAIRMAN: That is your opinion!

Mr. HAMILTON (*York West*): I wonder if these gentlemen have anything to say in rebuttal? If not, I might ask them a couple of questions myself.

Mr. CORLETT: Mr. Chairman, in order to expedite proceedings, there are certain specific answers which would be in the public interest and which should be given by certain members of the group by way of clarification of certain statements made this afternoon by the minister. I would call on Mr. Henderson in connection with this company on the question of the route and the question of a so-called subsidy from the United States government.

Mr. HENDERSON: Mr. Chairman, the minister seemed to raise some doubt this afternoon with respect to the route that we are using to lay this cable. In other words, it might be uneconomical or an unsafe route.

Hon. Mr. MARLER: I think that you are quite mistaken.

Mr. HENDERSON: I got that impression.

Hon. Mr. MARLER: I am sorry—I intended to give no such impression. I merely described the route and make no comments.

Mr. HENDERSON: We have surveyed it and find it to be a very satisfactory route and even more so than our present route which we are using now.

With respect to Denmark, the minister stated that he was informed that he reply which we received from the government of Denmark, regarding our landing agreement was unfavourable. The company does not consider

it so. The Danish and Greenland governments advised us if we landed cable there they would expect to own that part of the facilities in Greenland; that would not be an obstacle to our company's operation.

There has been a lot said with respect to the lease which we have from the government if this cable is landed which provides for an annual rental of \$1,600,000 per annum. I might add that that lease is not going to go on forever. All government leases can be terminated. The annual operating expenses of this cable will be in the neighbourhood of \$2½ million which is far in excess of the \$1,600,000 from the government.

Mr. JOHNSTON (*Bow River*): What would be the term of the lease?

Mr. HENDERSON: A period of ten years.

Mr. JOHNSTON (*Bow River*): Is it renewable at the end of that time through negotiations?

Mr. HENDERSON: It could be, yes.

As to the first cost of this cable, without taking into consideration the financing, we have been negotiating arrangements for a loan of \$23 million. The actual cost, when we get through financing, will be in the neighbourhood of \$65 million. We obtained a loan from one of the largest finance companies in the United States. Before we were able to obtain that loan we had to satisfy them that we could show to them statistics that there was a sufficient demand for commercial facilities in this cable before they would agree to finance it. In other words, they would not finance it alone on what we could get from the rental from the government, which we do not consider to be a subsidy.

The Commercial Cable Company at present is leasing considerable facilities to the United States government and so also is the Western Union and the R.C.A., which is common practice.

There was also considerable said with respect to the number of channels and it was stated that all of the existing channels of the trans-Atlantic cable amounted to 18½ duplex channels and that we were asking for 24 which is in excess of the present total existing capacity. In the statement introduced in evidence here by the Western Union this afternoon, it shows that they have a total of 22½ duplex channels and at the time we made our application we had 8½ duplex channels; in addition we have also increased the capacity of our present cables and at present have 9½ duplex cables. By arithmetic, I think you will see that the capacity of Western Union and the Commercial Cable Company far exceeds 18½ duplex channels which the minister stated were in existence at the present time.

We in our company happen to believe that Canada has a great future. From the studies which have been made in the United States we have found that there is a very great demand for leasing facilities and telex facilities. In our applications to the government of Canada we told them that we had an immediate need for 60 channels.

I think it would be appropriate here to add a little bit to the information already given with respect to our application which will help in explaining this \$1,600,000 and related subjects. This is just a segment of this application which I will read. We had a paragraph called "Existing facilities inadequate," and we said:

Over the past seven or eight years there has been a tremendous growth in leased wire service and TWX within the continental United States which is expected to continue.

Now, we looked at a lot of the statistics of the American Telephone and Telegraph and Western Union Telegraph, and we also looked at statistics across the Atlantic, bearing in mind that telephone and telegraph services operated

side by side. The statement was made here this afternoon by the minister indicating that with this new telephone cable in operation that the amount of telegraph business would probably decrease. Statistics show that the telegraph business has been increasing as well as the telephone business, and we think that growth is going to continue.

Presumably, the same degree of increase in these services has been noted within Canada. In the international telegraph field there has been an increasing demand for leased (telegraph) channel service and telex service. This has been substantiated by the number of requests the applicant has received for such services, and by a survey made of some customers in the United States while plans for this new cable were being considered. Almost without exception all customers interviewed were interested in telex service and approximately 50 per cent of the interviewed were also interested in international leased (cable) channel service. In addition to the indicated need for such commercial services, which the applicant cannot presently meet with its existing facilities, there has also developed a substantial demand for leased cable telegraph channels by government agencies. The latest survey made in the United States indicates a need and proposed use at the present time of approximately 60 leased duplex telegraph channels in the new cable. Applicant's present cable capacity is limited to $8\frac{1}{2}$ duplex channels. Applicant has made no survey in Canada with respect to the need for additional facilities, but is inclined to believe that the increasing demand as is found in the United States similarly applies in Canada.

Mr. BELL: If I may interrupt, that deserves some comment from you in view of the fact that it was referred to by Mr. Langlois. You said that you did not survey in Canada, but is that just a loose guess; or would you comment on it further?

Mr. HENDERSON: I will comment.

In addition to the foregoing, applicant is in need of additional and more modern cable channels in order that it may improve its service to the public and to the governments of its regular message traffic.

Now, with respect to Canada, we did not feel that it was necessary to make a survey here. The minister has stated that he is going to have six telegraph channels when this trans-Atlantic cable is in operation and he has half a voice channel at his disposal. We have a demand now, in the Commercial Cable Company for five leased channels across the Atlantic, and that is even without going out trying to sell channels. We believe the people of Canada should have the opportunity to lease channels direct through to a customer in London, Paris, or wherever it may be. If you are able to dial on your telephone to London, you should be able to dial on your telegraph to London. We believe at some future time that the teleprinter will be out of date.

The minister stated that if we had made an application for a cable of two circuits, that his answer may have been different. If I had made that application I think that my board of directors would have fired me.

Hon. Mr. MARLER: I was not suggesting that.

Mr. HENDERSON: I do not think that there is anything more which I can add, but I would be glad to answer questions.

Mr. HOSKING: If you are prepared to give ownership to the country of Denmark of your cable which you mentioned on the island of Greenland, and all the facilities and everything you own, why do you object to this bill?

Is it not much more lenient than the arrangement which you are prepared to accept from a country which is not as friendly to the United States as is Canada?

Mr. HENDERSON: I would like to answer the honourable member's question in this way, that I would not have an objection to making the same proposal for Canada that we would be agreeable to make with Greenland.

Mr. HOSKING: You would be quite happy then to come to the country of Canada with no outlets at all?

Mr. HENDERSON: No, sir. We did not say that.

Mr. HOSKING: Is that not about what you have in Greenland?

Mr. HENDERSON: The proposal in Greenland was that the government would like to own the facilities in the territorial waters of Greenland and have a partnership arrangement.

Mr. HOSKING: If we owned them in Canada, then we would say whether or not there be any outlets.

Mr. HENDERSON: We would not make an agreement with you to own them unless you permitted us to have additional channels in Canada. Otherwise we could not grow.

Mr. HOSKING: I would think, looking at the bill, that I would much rather operate under this bill with a country as friendly as is Canada to the United States, than with a country that wanted to own everything; and if they owned it I think that they would say how many channels should be in and out.

Mr. HENDERSON: Irrespective of the bill we feel we need 24 channels, and we have been denied any.

Mr. HOSKING: I think under the bill you can go ahead and build your line?

Mr. HENDERSON: We have been told we cannot without the bill.

Mr. HOSKING: Under this bill, if this bill passes, 212, I think that if you applied again your application would be accepted.

Mr. HENDERSON: That is not our view.

Mr. BELL: Get that in writing from Mr. Hosking.

Mr. LANGLOIS (*Gaspé*): How Many channels do you intend to use for commercial purposes? You were asking for 24 for Canada.

Mr. HENDERSON: I would say that facilities to be used are mostly for defence purposes. There will be some commercial facilities.

Hon. Mr. MARLER: Mr. Chairman, I would like to express my regret to the committee for having misled them about the number of duplex channels. Mr. Henderson is quite right when he says the number is not 18½. But, I would like to perhaps endeavour to excuse myself by saying that at the time that figure got into the file, that was our information. But, information more recently was supplied from Western Union substantiating what Mr. Henderson has said in respect to the total number being 68 simplex, or 34 channels.

Mr. HENDERSON: Mr. Chairman, I would like to add a few more remarks which will deal with some statements that were made today in respect to continuing on with our present facilities. I testified yesterday that the cables that were 70 years of age and over were considered to be uneconomical to operate. Now, here we have a situation where the Commercial Cable Company and Western Union have cables that are already becoming uneconomical. The only way we are able to handle the volume we are now handling, and we do not have enough capacity, is that we have been stretching our imagination, resources and research to increase the speeds of our present cables with underwater repeaters. We presently have 9½ duplex channels. At the end of 1957 we expect to have 12 duplex channels. That is not going to be enough. But,

the point I want to impress upon honourable members is this: what are we going to do when these old cables wear out? We cannot continue forever with them. It has been the practice of our company in the past to plan ahead and lay new cables. Now, the only reason that we have been able to continue since the date of the last cable, which was 1923, with the capacity we had, is only because of the fact that our research and development has provided underwater repeaters to increase our capacity. We were able, just prior to the war, and we would have been in a very bad way had it not been for this development, to increase the speed of our cable to 25 per cent without underwater repeaters. But, here you have a coaxial cable, the first cost of which is roughly \$23 million to \$25 million, that will give you 120 teleprinter channels. No one in his right mind is going to go out and spend \$25 million for an old cable that will give them two channels, or four channels, or six channels—it just costs very much more. If we are to lay or if we do lay this cable, and I might say here and now that our plans are to provide a second trans-Atlantic cable of the same capacity, which will not necessarily touch Canada. The reason for that is that the day this new cable goes into operation, if it ever does, according to the latest survey that we have, there will be 86 channels in operation. You cannot undertake to provide service to customers and tie up 86 channels, and have that cable interrupted overnight without giving them some alternate facility.

I do not think I can add more, sir.

Mr. HOLOWACH: Am I right in saying that your company is prepared to give ownership of the equipment, and your facilities in Canada, and in Canadian waters, to the Canadian government; is that correct, provided you have an agreement with Canada to carry on with the services which you figure are essential?

Mr. HENDERSON: We would not object to part ownership with the Canadian government.

Mr. LANGLOIS (*Gaspe*): To part ownership.

Mr. HOLOWACH: What was that?

Mr. HENDERSON: Part ownership. That is more or less the same rate, part ownership—not necessarily to be the same with this one, but the telephone cable has part ownership in which the C.O.T.C. has an interest.

Mr. HOLOWACH: In other words, you would pay the shot, provided you could have the licence?

Mr. LANGLOIS (*Gaspe*): Pay the shot, partly.

Mr. HOLOWACH: Have part ownership?

Hon. Mr. MARLER: I do not think, Mr. Holowach, that Mr. Henderson is suggesting that he will give us these circuits for nothing. I think if he did say that he would have cause to fear the action of his board of directors, that he expressed.

Mr. HOLOWACH: I think the statement is very significant. What do you mean by "part ownership"? I just want to have an understanding of what you meant there.

Mr. HENDERSON: Just what is meant by part ownership in the agreement that the C.O.T.C. now has with the American Telephone and Telegraph and the British Post Office. C.O.T.C., as I understand it, owns more or less the part that is in Canadian waters, and that operates there.

Mr. HOLOWACH: Now, one more question. I suppose you have kept your government well informed of your application, and your interest in going ahead with this project. What is the position of your government with respect to your entire proposal?

Mr. HENDERSON: Our government supports this cable. We believe that if it is laid there will be a great demand for facilities in Canada from the public.

Mr. CARTER: Do you envisage that these 24 circuits will be in use right away, as soon as they become available in Canada?

Mr. HENDERSON: I think they would be in use in two weeks. You have so many facilities. We are thinking of the new service just for telex. It takes a lot of channels on the telex service. The international telex service is the same as the international teletype service, where you dial and ask for so and so, and you get him. Now, the fewer facilities there are, it is the same as in land-line telephones, the longer you have to wait. Now, we recently inaugurated a telex service by radio to Austria. We found that we had to operate that telex service with three channels in order not to keep the customer waiting. Now, there are a lot of people in Canada. There is a lot of business in Canada, and its growth is unlimited. I cannot, for the life of me, see why they are not going to need telex facilities too. We have them between the United States and Europe, and they are just chock-a-block, the customers are waiting three hours a day from 10 a.m. to 1.00 p.m.

Mr. BELL: May I ask Mr. Henderson if he would care to comment on the statements that were made that you might have a monopoly here yourself if we give you permission to operate as you want to in Canada?

Mr. HENDERSON: Of course we believe in competition. If I were in the Minister's position I would want more telegraph facilities than that cable. I think the Western Union would want more facilities. But, in regard to telex and leased services, I think the other companies would want to give the same service to the public that we attempt to give.

Mr. HERRIDGE: Mr. Henderson, I understood one of your witnesses to say that you were not in the position in Canada to make the line profitable, yet you say now that the moment the cable is installed, within a short time it will be fully occupied?

Mr. HENDERSON: No, I said the minute the cable was installed there would be 86 channels in use. There will be 120 channels in this cable.

Hon. Mr. MARLER: Ninety-six, is it not?

Mr. HERRIDGE: Ninety-six. In view of the tremendous prospects of expansion in business, do you feel justified in installing your cable without insisting on the necessity of Canadian business?

Mr. HENDERSON: We consider, as I said before, that Canada is a growing and profitable country. We think the future here is great. We consider our present volume of traffic, that we handle in Canada, which is 20 per cent, a very considerable part of our revenue. We certainly would not like to lose it. We would like to see it grow. I think it will come, when the traffic between Canada and elsewhere is going to approach that handled between the United States and elsewhere. How can it happen otherwise?

Mr. CAMPBELL: If this growth develops, would it not be a possibility that a government agent might require some extra channels?

Mr. HENDERSON: I think they do right now.

Mr. CAMPBELL: But there is nothing to stop you from building that cable anywhere you want it now, as long as you do not put out in Canada?

Mr. HENDERSON: I beg your pardon?

Mr. CAMPBELL: You can build the cable and base it in Canada as long as you do not put any outlets, or only the outlets that are going to be allowed?

Mr. HENDERSON: We would not want to build this cable without the outlets in Canada, from which we are now deriving 20 per cent of our volume.

Mr. CAMPBELL: It would not pay you to just build the cable where you wanted it, basing it in Canada, without the outlets? It would not pay, is that what you were driving at?

Mr. HENDERSON: You might look at it from the point of view that you would build a cable with less capacity if you were not going to take into consideration Canada's needs. But, we happen to be of the view that there is a great development in Canada, and if nobody else is going to look after it, we certainly are.

Mr. CAMPBELL: You think we are not able to look after it ourselves?

Mr. HENDERSON: I say there is not enough capacity now.

Mr. BELL: How far have you gone with your plans, Mr. Henderson? You mentioned a loan with the bank. Do you mind if we ask, will this hold up the whole future expansion now, and will you have to wait around year by year until the approval is finally given?

Mr. HENDERSON: I can say that we have this financial agreement. There has already been some delay, and we have been successful so far in getting that financial agreement extended.

Mr. BELL: In other words, you will have to continue, then, to seek the approval of the Canadian aspect of your plan?

Mr. HENDERSON: And the United Kingdom aspect of our plan as well. But, I believe, as I say, we have been successful in continuing our loan agreement without too much difficulty.

Mr. NICHOLSON: It is about two years since you made your application?

Mr. HENDERSON: Yes.

Mr. NICHOLSON: What progress have you made in the United Kingdom during that period?

Mr. HENDERSON: Well, we have not had a final answer as we have had from the minister here.

Mr. NICHOLSON: There has been a change of government in the United Kingdom since 1945. Has there been any change in the policy regarding public ownership in the field of cables in the United Kingdom since that change of government?

Mr. HENDERSON: I would say not.

Mr. HAMILTON (York West): You must start somewhere with regard to these approvals. If everybody waits to see what everybody else is going to do you will never get anywhere.

Mr. HENDERSON: That is exactly right, and we cannot start until all the necessary agreements have been reached.

Mr. BELL: I suppose this is going to have some effect on your other negotiations—the fact that you have had a fairly definite setback here?

Mr. HENDERSON: We have been trying to run our negotiations in Canada and in the United Kingdom simultaneously hoping we would probably get an answer more or less simultaneously. We do not feel, as I have stated, that there is any difficulty likely to be experienced in Iceland or Greenland.

Mr. BELL: In other words Canada is showing some rare leadership in international affairs?

Mr. HENDERSON: I am not in a position to comment on that.

Mr. LANGLOIS (Gaspe): It has been done before.

Mr. BELL: Whether it is the right kind of leadership or not—

Mr. HOSKING: Would you tell us again how important this Canadian business is to you? You have 84 channels still needed in the United States, I understand.

Mr. HENDERSON: I say we have a need for 86 channels.

Mr. HOSKING: And if there are 24 of these channels available for Canada, you would have only 10 spare channels to take care of any growth which might take place in the United States.

Mr. HENDERSON: That is right.

Mr. HOSKING: And you are saying to us that in the light of that situation it would be uneconomic to start to build this cable if you do not have any more outlets in Canada?

Mr. HENDERSON: We would not want to operate the cable unless we had more outlets in Canada.

Mr. HERRIDGE: Is your loan predicated on your obtaining the Canadian business?

Mr. HENDERSON: No.

Mr. HAMILTON (York West): But you are saying it would not be good business to build this cable passing through Canada if you did not have the advantage of these outlets?

Mr. HENDERSON: Exactly. We have been in business in Canada for more than 75 years. We have a large cable investment here already and, as I say, we see the prospect of a large growth here.

Mr. LANGLOIS (Gaspé): On the other hand you stated you had made no survey of the Canadian needs. Apparently you had made up your minds about going ahead with this project and obtained your loan without thinking too much about the Canadian business as potential revenue?

Mr. HOSKING: Do I take it that you want to obtain the agreement of the Canadian government to this project in order to use it as a lever with which to get agreement in the United Kingdom?

Mr. HENDERSON: No sir.

Mr. HAMILTON (York West): That would indeed be the tail wagging the dog.

Mr. HOSKING: But you have got to start somewhere, as Mr. Hamilton pointed out and would it not be a "lever" if you could say: Canada is giving these facilities to us.

Mr. NICHOLSON: It occurs to me that if you already have some form of commitments for 86 channels out of 96 you would not be running any great risk in proceeding without the new 24 channels in Canada if you were not successful in convincing the minister and getting him to change his opinion. It would seem to me that with 86 out of 96 before you have any surplus available there should not be any great risk in proceeding with the 120.

Mr. HENDERSON: As I say I think there is a need for 86 channels. We are planning to use the equivalent of one voice channel on this cable for a facsimile service. That uses 24 teleprinter channels. Our engineers would be able to get 24 teleprinter channels out of each voice channel; we are planning to provide a facsimile or picture service by using the band-width that is needed for one voice channel. Referring again to the question you raised about the need in Canada and the 24 channels for which we are asking, as I stated we have the need right now for five leased channels and we have not yet tried to sell any leases in Canada. To give the appropriate telex service in Canada would require a minimum of 10 teleprinter channels and I think in a period of two years time that would be 15, and if we could not go out and sell the balance of those leased circuits, then something is wrong.

Mr. LANGLOIS (Gaspé): I do not challenge your statement but I am just drawing the attention of the members to the fact that this emphasis that is

being laid today on Canadian needs was not even mentioned in the application. The application said that no survey had been made in respect to the need in Canada.

Mr. HENDERSON: We had begun without a survey and the fact that we asked for 24 terminals would seem to indicate we believed we would be able to use them.

Mr. LANGLOIS (*Gaspe*): But you see my point?

Mr. HENDERSON: Yes.

Mr. BELL: Could you say generally that these people to whom you might have leased services or to whom you might contemplate leasing services would still go to the C.O.T.C. if you people were not allowed to operate in Canada in the way you want to? Perhaps I could put the question in another way: would you be able to offer services to these prospective customers which C.O.T.C. in the near future would not be able to match?

Mr. HENDERSON: Well, if C.O.T.C. plans to offer the same services they could offer them and I must say they would have quite a few customers, and so would we. I think the demand is sufficient for both companies.

Mr. HAMILTON (*York West*): At the moment they do not have the capacity, either, to handle this type of thing?

Mr. HENDERSON: No, nor will they have with these teleprinter channels.—

Mr. HAMILTON (*York West*): I have one or two additional questions—I do not know whether Mr. Henderson is able to deal with them himself or not, but I will ask them. Mr. Levett this morning indicated that they do not desire to get into the coaxial business. I spoke to him about the fact that there might be outside reasons why they might not want to do that and he indicated, I think, in his answers that that was not the cause. Is there any difference between the requirements of your two companies which would make him answer one way and you the other?

Mr. HENDERSON: They have more capacity than we have because they have more cable. We have six cables one of which is unoperative—it is a very old cable—and to show you what it means when you start to deal with one of these things, it would cost around \$800,000 to put it in operation. I am afraid those cables are going to wear out, and it is not going to be too long, in my opinion, before they do.

Mr. HAMILTON (*York West*): May I go on to my second question? I understand this is an American company with some degree of status here. It was established in Canada, as I understand it, in 1884 and you are the executive vice president. Who owns its shares?

Mr. HENDERSON: Well, the Commercial Cable Company is a wholly owned subsidiary of the American Cable Radio Corporation.

Mr. HAMILTON (*York West*): Are you an officer of that company? Do you know anything of the parent company?

Mr. HENDERSON: I am executive vice president and a director of both the Commercial Cable Company and the parent company.

Hon. Mr. MARLER: May I ask who is the parent of the parent?

Mr. HAMILTON (*York West*): No, I will not go that far—

Hon. Mr. MARLER: May I ask that question?

Mr. HENDERSON: Yes, the American Cable and Radio Corporation is a publicly owned corporation. Fifty eight per cent of our stock is owned by International Telephones and Telegraphs and 42 per cent is owned by the public. It is plain Mr. Smith and Mr. Jones we must answer to. It is the same as the I.T.T.—in fact, more so.

Mr. HAMILTON (*York West*): I am getting to where I wanted to go, thanks, I think to the minister. Are the shares of this company listed on the stock exchange?

Mr. HENDERSON: On the New York stock exchange.

Mr. HAMILTON (*York West*): Is that the only one?

Mr. HENDERSON: To the best of my knowledge, yes.

Mr. HAMILTON (*York West*): Would your company have any objection to listing those shares in Canada?

Mr. HENDERSON: I think we would be very glad to consider listing our shares on the exchange in Canada.

Hon. Mr. MARLER: Are you thinking of buying control Mr. Hamilton?

Mr. HAMILTON (*York West*): No and I doubt whether even the government would want to do that—it is too big a project. Would you give consideration to listing these shares in the parent company on the Canadian stock exchange, Mr. Henderson?

Mr. HENDERSON: Yes, we would give consideration to that; I cannot speak for the other directors, but I will mention it to them.

Mr. CORLETT: Mr. Hamilton asked a question a few minutes ago concerning the future status of Western Union in view of certain proceedings presently going on before the Federal Communications Commission at Washington, with regard to which Mr. Kennedy could speak. I think Mr. Kennedy would be in a better position to deal with this.

Mr. HAMILTON (*York West*): Could Mr. Kennedy help us with regard to this?

Mr. KENNEDY: I would be glad to do so. I am not surprised that some of the members of the committee have been wondering why the Commercial Cable Company is so vitally interested in coaxial cables when Western Union has disavowed any interest in them. That is a natural inquiry. I think I stated this morning—and I believe Mr. Levett mentioned it here—that prior to 1943 there were two domestic telegraph companies in the United States—Western Union and what was then Postal Telegraphs. These two companies had been wanting to merge for several years and create a monopoly on their domestic telegraph service and finally Congress passed a law whereby the anti-trust laws was set aside and the two companies were then able to merge and create a monopoly, with the proviso that Western Union would have to divest itself of its cables on different international operations within a reasonable time it prescribed that the Federal Communications Commission execute that provision to see to the divestment of the cable. Some years passed, and in 1943 when Western Union all this time had been making reports to the Federal Communications Commission about possible negotiations to sell these things and the difficulties in finding a purchaser, bearing in mind that under the anti-trust laws they could not sell the cables to us—we wanted to buy them, but they could not sell them to any other international carrier because of the anti-trust laws, so they were bound either to sell to an outsider or to divest in some other way. Anyway, a year or so ago, the Federal Communications Commission which has the obligation to require an enforced divestment, got tired of waiting for a prospect, and it required Western Union and others—we were parties in it—to come forward with some final plan whereby Western Union could divest in accordance with the requirements of the act of Congress.

That went through a lengthy hearing with all the carriers involved; it was quite lengthy and various methods were produced. Western Union reported on its efforts up to that time, and finally the examiner—it was heard by an appointed examiner—came out with a report. I shall not go into the details

of it, but the examiner pointed out that there were other methods of divestment besides that of sale, and I am sure that the lawyer members of this committee will understand what I say when I tell them that under the anti-trust laws and under some other laws divestments have been required too, what we call the "skin-off, and the split-off" methods, whereby a new corporation, which would be in this case "Western Union Cables", would be set up and stock would be set aside from the land line stock, and that stock would be offered to the public and gradually sold off.

The examiner held that that would be a possible method of divestment and a proper one. Anyway, the examiner's report recommended that the commission order Western Union to come forward with a plan for divestments—I believe it was within six months—I am not sure whether it was six months or a year—but anyway you can see from that situation that it was a kind of "sword of Damocles", if I might call it that, hanging over Western Union's head—to sever it from its interest in a coaxial cable or in any other extension of cables in the United States under that divestment clause. Moreover, it cannot extend its cables, so I think that the question which was in the minds of some of you gentlemen was a perfectly understandable one, why we are interested in an expansion of the system, while Western Union is not. If Mr. Levett disagrees with what I have said, I would be perfectly glad for him to correct me.

Mr. HAMILTON (York West): I would like to ask Mr. Levett one question.

The CHAIRMAN: Very well.

Mr. HAMILTON (York West): Mr. Levett, you showed great concern today about the way the powers contained in this bill contained more than if I might use the expression—the mechanical powers. That is, how would you set it up, and what type of application would you bring forward, and things like that; and I am wondering since you have heard the minister speak, if you can now give us your opinion as to how you feel about the question that is raised here by the bill now which would appear to give to the government the power to make regulations in connecting with a number of "outlets"—an expression you do not like—that you may take from your existing cable?

Mr. LEVETT: That is a very difficult series of questions, sir, but may I, Mr. Chairman, first state that I do not intend to say—I do not like the word "outlet"—but may I have an opportunity to correct apparently a misapprehension in my statement that I have heard repeated at least once. I merely pointed out that in connection with this issue concerning the outlets which the record discussed in the talks yesterday, as pending—and without expressing my own view as to whether that is relevant to this proceeding—the minister I noted said that it was not. I just said that I for one, not having a copy of that application, could not say what was meant by 24 outlets, and therefore, as part of the clarification which I sought here, it would be material that we learn, and I assume that the members would learn just what it meant so that we would all know what has been refused.

You would not say what was meant by 24 outlets and, therefore, as part of the clarification which I sought here, it would be material that we learned, and I assumed that the members would learn, just what it meant so that we all would know what had been requested. We would know that the outlet is defined and we then would know what it is that the Commercial Cable Company has requested and what it is that the minister has refused. We want all the members to evaluate this bill and this matter of outlets. I pointed out that the outlet, generally speaking, could mean the cable head or offices. Since my remark, judging from what has been said here by the minister and by others, apparently the word "outlet" as used with the numeral 24 does not

mean cable head, for the minister said that the bill is not intended to alter the present situation as to cable head authorization, and that now the bill is not intended to apply to the cable heads.

Well, we know the answer at least in that respect. But I, for one, still do not know what "24 outlets" means other than that it means something in addition to the cable head. Where will they be located? Will there be offices, or what sort of facilities?

In view of all of that, I, personally, would not care to comment about any question which has in it a term I do not understand and which I now learn that the petition does not define, since apparently the location of the outlets are not now known. With that in mind, much of your question, which has reference to this petition and these outlets, is outside my ken.

Mr. HAMILTON (*York West*): It may be that I worded the question poorly or that it was too long, but let us assume this, that you have I think, nine cables and you may have so many channels. At the present time, you may use—in hypothetical numbers—100 channels, and you may drop off, if you like, 10 channels into Canada for Canadian use—

Mr. JOHNSTON (*Bow River*): Mr. Chairman, on a point of order, I think that the question which Mr. Hamilton is asking is going to take considerable time to answer because it is very involved. It is now pretty nearly ten minutes after ten o'clock. I suggest that we adjourn;

The CHAIRMAN: Would you not consider sitting for another half hour so that some of the gentlemen could catch the train tonight?

Mr. JOHNSTON (*Bow River*): I understand that they are not going. We would not be even through in another half hour.

The CHAIRMAN: We will meet tomorrow morning at 11.30.

EVIDENCE

FRIDAY, July 13, 1956.

The CHAIRMAN: Order gentlemen. We have a quorum.

Are you ready now to consider bill No. 212 clause by clause?

Mr. HAMILTON (*York West*): Mr. Chairman, I had asked Mr. Levett a question last night and perhaps you might allow me to rephrase the question because I do not think he liked it very much.

Mr. JOHNSTON (*Bow River*): I hope that you will make a better job of it this time.

Mr. HAMILTON (*York West*): It is a good thing that we have a sense of humour left.

Mr. Levett, first of all, I do not want to get into a lot of discussion about the meaning of the term "outlet". Perhaps I can reword my question something along this line. The minister has said in the house that this Bill 212 will apply to all companies, whether they be existing companies or companies who shall apply for authority to lay cable in the future. The minister is present and he can listen to the next further preamble. He also has said, I believe, that this bill will cover the phase of operations of a cable company in connection with its distribution of channels in Canada. Now, your company presently operates a cable into Canada. It may have fifty circuits. There may be only ten circuits which you drop off for use in Canada. Are you happy with this bill, knowing that the minister could cut the number of circuits available to your company for use in Canada to one or two, or cut it out?

Mr. Robert LEVETT (*Counsel, Western Union Telegraph Company*): Mr. Chairman, I truly cannot answer that question unless the chairman is willing to permit me to make a statement which will include a clarification of some of the detail.

Hon. G. C. MARLER (*Minister of Transport*): I think that I can dispose of the matter by saying that the government has no intention whatever of limiting, or reducing, the number of circuits that are at present in operation by either of the cable companies.

Mr. HOSKING: Mr. Chairman, I have been asked by some members of the committee if we could have a clarification in connection with the term "circuit", duplex circuits and all the various things. It seems that what is disturbing some members is just what is the definition of a simplex circuit and a duplex circuit. Is there some specialist here who could explain that to the committee?

Mr. HAMILTON (*York West*): I might say, Mr. Levett, that I am not satisfied with the minister's answer, but perhaps you are.

Hon. Mr. MARLER: Mr. Chairman, I can say that I do not ever expect to be able to satisfy Mr. Hamilton, but I hope to be able to satisfy the other members of the committee.

In connection with Mr. Hosking's question, perhaps Mr. Nixon, who is head of the telecommunications division of my department, could explain the difference between a simplex circuit and a duplex circuit.

Mr. F. G. NIXON (*Controller, Telecommunications Division, Department of Transport*): Mr. Chairman, I will just read from some definitions which we had jotted down.

A simplex circuit is a circuit which provides for the transmission of messages in either direction but not simultaneously in both directions. A duplex circuit is a circuit which provides for the transmission of two messages simultaneously one in each direction.

Mr. HOSKING: Would two simplex circuits make up a duplex circuit?

Mr. NIXON: In effect, yes.

The CHAIRMAN: Shall we now consider the clauses of the bill?

Clause 1 agreed to.

Mr. JOHNSTON (*Bow River*): Mr. Chairman, I have been asked the question as to whether the representatives from the Commercial Cable Company are going to be allowed to make a statement before we go on with the bill.

Mr. LANGLOIS (*Gaspe*): The statement was made last night.

Mr. HAMILTON (*York West*): I think perhaps if they have anything further that we might hear them.

Mr. JOHNSTON (*Bow River*): I understand that there are only a few matters and that it might be of interest to the committee to hear them.

The CHAIRMAN: The statements were made pretty well last night.

Mr. MURRAY CORLETT (*Counsel, Commercial Cable Company*): Mr. Chairman, you will remember that last night you suggested that the committee might meet for another half hour and, as I understood it—

The CHAIRMAN: Mr. Johnston, are there any questions which you would like to ask?

Mr. JOHNSTON (*Bow River*): No. It was just that I wondered if the members of the Commercial Cable Company might wish to make further statements.

The CHAIRMAN: We are quite willing to hear them.

Mr. GORDON MACLAREN (*Commercial Cable Company*): There were some statements made yesterday by the minister, which he corrected, as to the number of circuits coming into Canada and as to what the Commercial Cable Company's new circuits would be in addition to that. He corrected that statement, but he has a pretty good press because the incorrect figures appeared in the *Gazette* this morning.

Mr. Langlois made the statement that we had not told them what circuits we needed at the time that we made the application.

Mr. LANGLOIS (*Gaspe*): I beg your pardon. I never said that. I merely quoted your own application which stated that you had made no survey in Canada.

Mr. MACLAREN: I may say, Mr. Chairman, that over a period from September 1954 to date we have made many applications to the Department of Transport to have a conference where we could present all the figures which you have heard before this committee; but we have never been given the opportunity. I myself have had many conversations with the minister, but we have never had the experts here to be able to give the facts as to what we wanted to do. I had occasion at one time to write a letter to Mr. Marler, dated March 10, 1955, in which, in part, it stated:

The Commercial Cable Company is very concerned about its inability to meet the increasing demands made upon it by the Canadian public. Communications are the life-line of Canadian international trade. The company's proposed new cable would provide additional facilities for which it has been developed that a definite need exists.

In the new cable the company would provide in conjunction with Canadian Pacific Telegraphs:

1. a direct channel between Montreal and Paris;
2. a direct channel between Toronto and London;
3. a direct channel between Winnipeg and London; and
4. a direct channel between Vancouver and London.

In addition, the company would be prepared to furnish out of the new cable several leased circuits to Europe for private customers who have requested same. Additionally, it should be noted that facilities would be available for private leased circuits between Canada and Paris.

The above, without any advertising of the proposed new cable given by my client to the public, represents known circuits that are presently required for the better service to the Canadian public.

I just wanted to make that correction. There were many other instances where we furnished information but it was not before a committee or anything like that.

There were a few other statements on which Mr. Corlett would like to make comment.

Mr. CORLETT: I have only two points to make. I do not want to prolong things. My first point relates to a matter which I think the minister made reference to in the House of Commons and reiterated here yesterday, and that is that there is no desire for a monopoly on the part of C.O.T.C. We have competitors, and the competitors in the trans-Atlantic field were mentioned as C.O.T.C. and Western Union. That statement was made by Mr. Chevrier in 1949 and is confirmed. From the evidence heard yesterday I think that it is clear that the future of the Western Union in the trans-Atlantic cable business is very slim; they are going out of the business sometime in the future. So, in effect, it seems to me, in the realm of competition, that we have two firms, C.O.T.C. and Commercial Cable Company.

Now, that is fine. But, it is a fact that Commercial Cable, or rather C.O.T.C. is going to participate, having an interest in a new telephone cable, which I am advised is in effect a coaxial cable. So, we have come along, and we say, because of the modern trends we, Commercial Cables, want a coaxial cable. Therefore, in the interests of fairness, why should we not be permitted to participate in a coaxial cable? It seems to me that the issue boils down simply to that. That is point one.

My second point is, and I made mention of it on Wednesday, and I want to make another plea in the matter, because it seems to me that now is the chance, when the act is being opened up for parliament to look into the matter. When the Telegraphs Act was enacted, and when Commercial Cables statute was enacted, the government was not in the field of communications. I could see why at that time, if there were going to be any regulatory features it could be handled by the governor in council which, in effect, in this instance would be the Department of Transport. But, now the situation has been altered fundamentally since 1949, when a crown company has come into the field, which will be in competition with the private companies. Surely, that being the case, would it not be in the interests of Canada, and not only competitors of the C.O.T.C., but also the government itself, to transfer the regulatory jurisdiction to a quasi administrative tribunal? We already have one in the form of the Board of Transport Commissioners. It has been done before. The board has jurisdiction over railways, express lines and telephone lines, and in 1929 they decided to take jurisdiction over tolls on international bridges. Surely, since the Statute of Westminster, and the extraterritorial act that was enacted

subsequent to that, there can be no question with respect to the Board of Transport Commissioners taking over the regulatory jurisdiction from the Board of Transport Commissioners.

I think I suggested, what could be an amendment to achieve that result. I can see no reason why the government would object, and I would think that it would be in the public interest. I would like to make that my second point.

Mr. MACDONALD: Mr. Chairman, on behalf of Western Union, a statement has just been made, and was made yesterday by Mr. Kennedy, that Western Union is going out of business. Now, that is very very far from being a fact. I would like, if I may,—Mr. Levett is prepared with a short statement—to reply to that. Could I be permitted to call Mr. Levett?

The CHAIRMAN: Yes.

Mr. LEVETT: Mr. Chairman, in the interests of correcting the record—and that is what I had in mind when the honourable member asked me a question, and I stated that I could not answer it—I think the language in the record will speak for itself. But, the committee should know the facts at this time.

Western Union has a fine, efficient international cable system. We are proud of it, proud of its personnel, and proud of its equipment. I do not believe that any representative of Commercial Cable intended the exact literal meaning of what was said. Mr. Kennedy, for example, yesterday said that Western Union did not intend to improve. I am certain that the statement that Mr. Kennedy gave should not be taken literally. But, in the words of the cold record it would appear that we are going out of business.

Now, let me take a moment to state the facts. Please note in our preface, and in our presentation here, we have attempted, without argument, to give you facts. I am willing to answer factual inquiries on the matters of channels, or circuits or anything else. I am prepared.

Now, the fact is this: I said that we do not now have any process, and so far as we now can state to you under oath, or as a matter of man to man, we do not contemplate within the foreseeable future, the laying of a coaxial cable. That is true today; it may not be true tomorrow. It is not a fact that the coaxial cable is out of the picture. We have thought about it in the past. We even bid for this particular coaxial cable, and had we been the successful bidder, we would be here on that petition.

I am simply saying that Western Union's international cable system is ready for business and is doing business, and like any business organization, can handle more business, and we would like to have more facilities. We can use them. But, we are not going out of business.

Technologically,—and I have checked this with our engineers as late as an hour ago, and this is the fact—our cables, as we have outlined them and located them geographically in our presentation, and you have but to read it, and there it is—are physically identified and located, and are going; we are maintaining them. We have two fine cable ships, and they are functioning, outside of the usual gripes and complaints that any business man would get occasionally from customers under emergencies. They are working fine, and they may work not only within the foreseeable future, but indefinitely.

Now, let no one here gather from anything that Mr. Macdonald and I have said that we are going out of business, or that we will never lay a coaxial cable; that is not so. Let no one here gather from our statement that we are not interested in domestic Canadian business. We are. But, this is a matter of degree.

Now, one word with respect to our plan,—and this has been mentioned a number of times. We have these original conductors. They are wires, as distinguished from radio contact. We feel that everybody should as a matter

of common knowledge understand that before these valuable, time-tested, useful, efficient conductors are abandoned, or ruled out in favour of something new, make certain that the new will work and will replace it. We are not in a position where now one can abandon the type of cable we are using. Do not down-grade these conductors. Perhaps in the future they may be abandoned for something else—maybe not a coaxial cable. But, if you want a good, efficient international cable communications system the heart of it, we feel, lies and is based upon these conductors lying on the floor of the ocean.

Now, the minister has allayed part of our fears, a substantial part. When the minister said that this bill was not intended to effect control over through international traffic, that has definitely removed one of the things that brought us here. But, we submit, very respectfully we hope, that that statement will find some substance in words. I understood the minister to say that he was agreeable to some such language. Let us not be in a position where that will be merely something on your records, which is not even admissible, perhaps, elsewhere. The minister has also said that Western Union, and I am speaking for Western Union—but I assume that he, and I have no reason to believe otherwise, is treating all cable companies on an even basis, and I have no reason to believe his intention is otherwise—so, Western Union, and for that matter other companies need not be in fear with respect to their existing cable heads. Those are the grants we got from colonial Newfoundland, the right to land cables for through traffic. It is there in our presentation. He assured us that that is not within Part IV. That has definitely allayed some of the fears that brought us here. I sincerely say I hope there is some language to that effect. But, as we said in our presentation, the plenary language as it now stand does not incorporate that. That is all to the good.

The minister has also made some statement about what the future may or may not have in store in respect to domestic traffic. We cannot, at this time say that we are allayed, or undisturbed, or disturbed, because we do not know what the form of the future will be. So, we ask these rhetorical questions. One of the members, I am happy to say, referred again to them. Honestly, I believe that those questions we asked are directed to the heart of the bill.

Now, our interest in that is obvious, for if the minister passes, enacts, authorizes, or by means of this legislative enactment is able to bring about regulations of any kind—even one of signing a white paper, or a pink paper, things like Dominion Bureau of Statistics—that is a record which today does not exist. So, from the human point of view no business likes to have any additional forms, either procedural or substantive.

But, the point I want to make, Mr. Chairman,—and this is the burden of our statement,—that is Western Union feels that it would not be seemly for us to come and complain to you folk or to tell you about our fears, or our hopes, for that is irrelevant. Whether Western Union likes this or not, is that the basis upon which this body will appraise these enactments? Are you going to enact legislation on that? If so, I will bring all the officers here, and we will all say in unison "We do not like any restriction". Now, obviously we would be wasting the time you have so graciously allotted us if we were to do that. So we are not complaining; we are merely asking you. So, in order to have you give us an intelligent answer, or for the minister, for example, to say one word to me, I have to be specific with him. I recognize that. When I told the minister in effect, about our cable landings, "We are a through international cable system; are you going to interfere with our through traffic", he said "No".

Now, what is left? I am trying to summarize our own position. Well, the orbit with respect to domestic traffic, meaning messages originating in

or destined for Canada—what can Western Union say to honourable members, or to the minister about that? That is within your legislative authority, obviously.

Now, to what extent can we say some factual word? We can tell you the nature of our interest in that traffic. We say to you, "Look at the record. You know what our organization is." We have explained that we have certain feeder cables which link with your C.N.T. facilities, and by that means a certain percentage of our total traffic is domestic.

Now then, what is our position with respect to what you folk enact? Very simple. If the minister is authorized, or anybody—I say "minister", I mean whatever authority you have here, to control domestic traffic? What is the nature of those controls. We ask a question. Before you answer that, you say, "What is the nature of your facilities?" We say to you, "None, with respect to the domestic business." We hope to get more of it and sell Western Union in the future. We want no member to be deceived as to that. We are in competition, naturally, with Commercial Cable Company, as well as C.O.T.C., or anyone else. We want some of this business.

But, all that you need to know factually is this: at a certain point our trans-Atlantic international through cables are physically, by means of equipment, able to link with your C.N.T. lines and pick up some business. Now, what you do about that is your concern.

I will conclude with one explanation that is relevant to that. You must bear this in mind, when the minister, or anyone for that matter, talks about controlling this business, the words "circuit" and "channel" have been used loosely. They do not mean the same thing. I am not an expert, but members have been bandied about here. I do not mean to be harsh, because all of us here are not experts. It is obvious, in this type of proceedings, and I have been before similar proceedings in our country—that is the same thing, you do not sit with experts, or it stretches into months. You are looking at it in the round.

But may I be permitted to summarize our situation, so that whatever you do here that will, in the future, affect Western Union, by regulation or otherwise in that you are going to pass enabling laws, you will have in mind these simple facts, and then determine for yourself whether you wish to interrupt in any way with these, or whether you wish to let the wheel move along. Here they are: a channel, and these channels we have been numbering—when they talk about 45 Western Union channels, they are talking about something explicit—it is a path between a sending unit and a receiving unit. So, when you count channels, and you say "I have 45 channels", roughly speaking you have 45 paths.

Now, a circuit is obviously a channel. But, looking it up in the dictionary it is the whole thing. A channel is a subdivision of a conductor—it is one path; a circuit could be the whole thing and it could be one path. It is true that the term is used loosely but I submit that if you folks intend to write precise language you should bear that in mind, particularly if you ever get into the field of regulations, because if you use the words channels and circuits indiscriminately you are going to find trouble. Western Union has 45 paths connecting sending and receiving units. We could use one path for a number of subscribers, or almost all of them by definition can only be at the same time. Just as the aisle here is wide enough for one person to pass through; fifty people could use the aisle, but the question is: Can you all use it at the same time.

We have 45 paths. I made a statement in answer to a question about a repeater. That is an old story. The repeater is a means of making the original path more efficient and we have always had repeaters in one form or another but the problem arose how to limit the number of repeaters and there was

only one way to do that in international communications and that was to stick them under water. The repeater is an electronic device and it is nothing new. The question was how to protect it against atmospheric and other conditions. Around 1951 we were able to produce a practically perfect underwater repeater, and we were able to drop these repeaters into water. That increased the efficiency of the path. I said something about doubling the number of channels and tandem repeaters. That just means having some repeaters and using them with such efficiency that you may increase the efficiency of the path, I said, about twice. To summarize, roughly speaking the original conductor would take about three paths or channels. The repeater was used to make it six and the tandem repeater, it is believed, will make it 12. The tandem repeater is not in effect as yet; we intend to install a cable in the fall; we do not have any tandem repeaters so our figure of 46 is accurate. I think you must know that there is a limitation to the use of a repeater—it has a “ceiling” to it—which has to do with voltage. When you put a repeater in a line if your voltage is, say, 100 volts, you must increase the volts at the terminal point to reach the repeater. As far as we are concerned, by the use of the tandem repeater we have reached the maximum voltage of about 600. So I want to state as a fact—and if anyone wants technical details we will furnish them—that if and when we put the tandem repeaters into effect, that is about the Western Union system. There is no connection, which you can see at a glance, between that and the coaxial system, capacity-wise, and it is our position as a matter of common sense that the utilization of repeaters in tandem in the past has been well within the limits of reasonably economic and more efficient use of our present facilities.

We say this to you: is there any intention to penalize or restrict the use of the present equipment which we have within the present range of its efficiency with respect to domestic business, and if there is, and you say so by enactment, we will know. We are tremendously relieved that it will not affect the through traffic, but please state that. I gather—and perhaps this is self service—that the minister does not have in contemplation interference with the cable as I have just described it. I say to you now that as of this moment and within the foreseeable future this is our best technical information, and that is about it. The minister, we have felt, in talking about coaxial cables is taking a giant step that goes outside the present limits and into a new realm. We ask this rhetorical question: Are we reasonable in assuming that if and when there is an enactment made, that enactment, where it speaks about depositing powers and controls in some authority, will not be concerned with the present plant as I have just described it? If so—and I think the answer ought to be yes—why not say so by simply exempting the present existing installations? I say I think it ought to be so because unless it is demonstrated that there is something wrong with our present system—and I have heard over and over again that the present system of competition is good—one should not alter it, for once you start tinkering with the present set-up you get into contractual questions of a nature which could provoke litigation. If the answer is “yes”—and I believe that is the answer now—all you are talking about is coaxes or such substantial advances in the art as to go beyond what presently exists. Then, we submit that the members can, of course, do that and they should say so. Some day it could surely happen that Western Union might wish to lay a coaxial cable and if they do we shall come under the jurisdiction and comply with the law. I hope I have clarified the position, and I apologize for stating the situation at such length.

Mr. NICHOLSON: I gather the witness wishes to convey the impression that Western Union is not a “dying duck” as the interference might have been given last night. While Western Union is living under a diverting order, I presume Mr. Levett considers they have something of an asset which will be

realised at some time. He mentions that they have been doing business in Canada for quite a number of years. Would he consider that if a competitor had a contract for \$1,600,000 a year for 10 years that 24 additional outlets available in Canada with this would provide unfair competition to Western Union in connection with the handling of the business available in Canada.

Mr. LEVETT: Mr. Chairman, bearing in mind the word "unfair" my answer would be: no.

Mr. NICHOLSON: If a competitor had a contract with our government for \$1,600,000 a year for 10 years which you did not have or which you could not get and if we were able to open 24 new circuits in Canada it would appear to me that they would have an advantage over you and that it would be difficult for you to continue to have your share of the Canadian business—such a share as in the past.

Mr. LEVETT: That is not the same question. It would not be unfair though it certainly might be hard. I do not characterize it—it would be competition and they would definitely have the advantage, but there is nothing wrong about getting a contract; it was legally acquired—bid for in the open market, so to speak. It would not be unfair but it certainly would be mighty competition.

An Hon. MEMBER: Difficult competition.

Mr. LEVETT: Exceedingly difficult but I do not understand how we could say it was unfair. Legally it would not be; morally it would not be. Certainly it would be substantial and effective competition.

Mr. HOSKING: Is it more effective competition because of the government order worth \$1,600,000?

Mr. LEVETT: I would have to know the ratio between that figure and the operating costs.

Mr. HOSKING: But if your company had a \$1,600,000 contract from the government it would be very useful to you?

Mr. LEVETT: Yes, but the point is that one does not know what is the cost of earning this \$1,600,000, and I would have to know that—in other words I do not feel too free to comment on the impact of this \$1,600,000 unless I have more details.

Mr. HOSKING: You would not be suggesting that the Commercial Cable Company would be in a position where they would accept such a subsidy?

Mr. LEVETT: I do not know. That would be for its determination.

Mr. NICHOLSON: That sort of thing does not happen in Canada very often.

Mr. LEVETT: You know there are loss leaders—that is common in business. I am not saying it is here.

Mr. NICHOLSON: Your company might think it was wise to have a loss leader like that, too.

Mr. LEVETT: No. We would not take it for \$1,600,000.

Mr. LANGLOIS (*Gaspe*): Mr. Chairman, can we get back to the bill now?

The CHAIRMAN: I would think so.

Mr. JOHNSTON (*Bow River*): Last night we made reference to having the application of the Commercial Cable Company put on the record. I now have a copy of this application, and might I move again that it be included as an appendix to the proceedings.

The CHAIRMAN: Yes.

Mr. LANGLOIS (*Gaspe*): You mean it should be printed?

Mr. JOHNSTON (*Bow River*): Yes.

The CHAIRMAN: Is it agreed that this be placed on the record?

Agreed. (See appendix I.)

The CHAIRMAN: We are now considering section 40.

Mr. HAMILTON (*York West*): Are we going to deal now with each individual item instead of just section one of the act being all inclusive?

Hon. Mr. MARLER: I think we should.

Mr. LANGLOIS (*Gaspe*): Let us deal with each heading.

On clause 1.

Proposed new sections 40 and 41 agreed to.

On proposed new section 42.

Mr. HAMILTON (*York West*): In connection with this new section 42, I would like to move, seconded by Mr. Bell, that it be amended by substituting the Board of Transport Commissioners for the governor-in-council and by adding the word "orders", so that section 42 will read as follows:

42. The Board of Transport Commissioners may make orders and regulations

- (a) providing for the issue of licences for the purposes of this Part;
- (b) respecting applications for licences and prescribing the information to be furnished by the applicants;
- (c) prescribing the duration, terms and conditions of licences and the fees for the issue thereof;
- (d) providing for the cancellation or suspension of licences for failure to comply with the terms and conditions thereof; and
- (e) generally, for carrying the purposes and provisions of this Part into effect.

Hon. Mr. MARLER: Well, Mr. Chairman, I do not say that there will never be a time when the subject of telecommunications should not be under the jurisdiction of the Board of Transport Commissioners, but at the present time the Board of Transport Commissioners is not organized to exercise the jurisdiction which is contemplated by this amendment and I think we have to remember the fact that the Department of Transport has a telecommunications division which is staffed by competent people and experts necessary to prepare and carry out the appropriate regulations and in the circumstances I cannot accept the amendment which Mr. Hamilton has moved.

Amendment negatived: the clerk counting yeas: 4; nays: 19.

On proposed Section 43: Offences.

Mr. HAMILTON (*York West*): The minister said something yesterday about the regulations and I think he said he might give us an idea about them. They have not been mentioned, and I wonder if he would care to do that now?

Hon. Mr. MARLER: I thought, Mr. Chairman, that I had covered the ground fairly fully yesterday afternoon. I am quite sure that when you read the record of the committee proceedings after it is printed it will be found that I did cover the subject quite fully. I am sorry, but I lent my notes last night and I have not got the page which refers to that particular aspect of the matter; but I would like to say this to the committee: I did say that I was ready to consider an amendment with regard to the effect of the regulations upon through traffic.

Professional members of the committee, I know, will appreciate the situation when I say that when we came to examine the draft bill after the committee rose, we found that the preparation of an amendment presented some very real difficulties in drafting, and I was not able—even if we had

got to it last night or this morning—to say that I would propose an amendment in certain terms to the bill with the object of removing from it the effect of the regulations upon through traffic.

The reason for that is that we are faced with a number of aspects in the question. Section 41 deals with external communications service, and what we are talking about in terms of traffic is something that does not form a part of such service. But all I can say in summing up, is that Mr. A. E. Driedger of the Department of Justice who drafted the bill will consult with my technical officials to see what sort of an amendment could be worked out, and I hope that when the bill is considered in the House of Commons at the committee stage it would be possible then for me to submit an amendment along the lines I have already indicated.

Mr. BELL: What powers do you feel you have now regarding the setting of rates?

Hon. Mr. MARLER: I said yesterday, and I take occasion this morning to repeat it, that we do not propose to make use of the licensing system which is contemplated in the bill as a measure by which to control rates.

Mr. BELL: But that power would be there!

Hon. Mr. MARLER: I do not know the particular section; it might conceivably, I suppose, come under the heading of conditions of the licence; about all I can say to the committee is that we have no intention whatsoever of using a licensing system for the purpose of controlling rates.

If that had been in our minds we would have spelled it out so that the hon. members would appreciate the full significance of that aspect of the question. But I can assure the committee that we have no intention whatsoever of endeavouring to control rates through a licensing system.

Mr. BELL: You have gone over this and I do not want you to go into it again in detail, but could you say a word as to the new power which you feel you have? You said yesterday that the new act gives you certain things which you did not feel that you had legally before.

Hon. Mr. MARLER: I think, in a word, that it would enable the government to prescribe in a licence conditions of a continuing character to be accomplished after the cable was laid, whereas I believe that now under section 22, the conditions which seem to be contemplated are of a character which ought to be accomplished before the cable laying operation is terminated.

Mr. BARNETT: May I ask a question with respect to rate control? Yesterday, if I recall it correctly, the minister made some remark about a section of the Railway Act which he said had not been proclaimed and which had to do with rate control. Does the Board of Transport Commissioners under the Railway Act at the present time exercise rate control over internal telegraphic communication, that is, over the rates of Canadian National Telegraphs or Canadian Pacific Telegraphs?

Hon. Mr. MARLER: My officials tell me that so far as the domestic operations are concerned—I am thinking of course of land operations—that in section 380 of the Railway Act, the Board of Transport Commissioners has the power to regulate, but so far as cable rates are concerned, my understanding is that they fall under section 381 of the act which, according to my information, has not yet been proclaimed, and therefore is not in force.

Mr. BARNETT: If section 381 were proclaimed, the power would then lie with the Board of Transport Commissioners?

Hon. Mr. MARLER: Yes, within the terms of section 381. I have not read that section recently and I do not remember exactly the language of it.

The CHAIRMAN: Shall new clause 42 carry?

42. The Governor in Council may make regulations

- (a) providing for the issue of licences for the purposes of this Part;
- (b) respecting applications for licences and prescribing the information to be furnished by the applicants;
- (c) prescribing the duration, terms and conditions of licences and the fees for the issue thereof;
- (d) providing for the cancellation or suspension of licences for failure to comply with the terms and conditions thereof; and
- (e) generally, for carrying the purposes and provisions of this Part into effect.

Mr. BARNETT: I have one or two questions I would like to ask in connection with the various subclauses of clause 42 based upon paragraphs (a), (b), and (c) which mention the fees to be charged for the licence. I think it might be useful if the committee could have some information on the question and the purpose of the scale of fees which the government has in mind in this connection. Are the fees merely to be nominal ones to cover what one might consider to be the overhead of administration?

Hon. Mr. MARLER: That is what my officials have in mind at the moment, namely, nominal fees which would be compensatory for the time which would be involved in processing the application.

The CHAIRMAN: Shall the proposed new clause 42 carry?

Agreed to.

Shall new clause 43 carry?

Agreed to.

Shall new clause 44 carry?

Agreed to.

Shall new clause 45 carry?

Agreed to.

Mr. HAMILTON (*York West*): Before the whole of clause 1 carries, I would like to move—and I am keeping in mind what the minister said about what might be done in the interval between now and the third reading of this bill in so far as the question of an amendment dealing with through traffic is concerned; but at the same time I would like to move at this time that a new section 47 of the Telegraphs Act be added.

Hon. Mr. MARLER: You mean section 46, do you not?

Mr. HAMILTON (*York West*): Yes; that a new section 46 of the Telegraphs Act be added to what is now clause 1 of Bill 212 reading as follows:

46. All the provisions of part III and this part dealing with external submarine cables shall come under the jurisdiction of and be administered by the Board of Transport Commissioners.

Hon. Mr. MARLER: I would like to see the amendment, if I might. Well, Mr. Chairman, I think that hon. members of the committee would realize that the question of external submarine cables is not wholly a domestic matter and it is not wholly a matter of regulation of the rate structure because there are international implications to it; and I could not for a moment accept an amendment that broad affecting all this proposed section because in effect it would mean that we were entrusting to a subordinate body something for which responsibility belongs to the government.

Mr. LEBOE: On that point, what relationship would that have with international communications by land; is there any comparison which you could give which would enable us to determine the difference between a communication which happens to go under the water and one which goes over the land? I just do not follow it.

Hon. Mr. MARLER: We are not attempting to regulate international communication by land because there are several thousand circuits which exist between Canada and the United States. There is no attempt being made by this bill to deal with anything else but external submarine cables.

My officials point out that we have communication by radio, but there is a special jurisdiction in the minister, and I do not see that it would make sense to provide that for external communication which is mostly international in character such as we have—I am talking about submarine cables particularly—that we should delegate that responsibility to a quasi-judicial body. They are not an administrative body, they are a quasi-judicial body and I do not think this would be at all in keeping with the purposes for which the board was established.

Mr. BELL: But you have done it in the case of your railways?

Hon. Mr. MARLER: Yes, but you know perfectly well that the powers which the board exercises over the railways are powers of regulation; they are not powers of negotiation. They do not negotiate wage agreements for the railroads or participate in the administration of railroad affairs. They merely exercise control over railroad activities—both the Canadian National Railways, the Canadian Pacific Railway and all the railway companies of Canada—in their relations with the public.

If we were talking about the relationship with the public, that might be a different matter, but what we are talking about here is what Mr. Hamilton has suggested by his amendment, that the provisions of part III of the Telegraphs Act and part IV should be entrusted to the Board of Transport Commissioners. I would say that it was wholly unacceptable.

Mr. BELL: Might I suggest that there is a conflict of interest there because the government is in this business just as it is in the case of the railways, and I think this will become an increasing problem in the future with new inventions coming up and the fact that the coaxial cable may become outdated tomorrow—as to which I probably would not get much agreement here; and all I can say is: what is going to be the future of this whole business? I think it is going to put the government in a position where there will be greater criticism of it than ever before. That is my thought!

Mr. LANGLOIS (*Gaspe*): The Board of Transport Commissioners has jurisdiction over railways operating within Canada, while here we are dealing with an external-international system of communications. I think you should bear that in mind.

Mr. HAMILTON (*York West*): I think that in applying it to these aspects of the operations in Canada, while the minister says he does not intend to deal with rates, obviously—there will be lots of time for questions before lunch—obviously it does give him the right to deal with rates and I do not think those powers should be in effect.

Mr. JOHNSTON (*Bow River*): May we have the amendment read again?

Mr. HAMILTON (*York West*):

46. All the provisions of part III and this part dealing with external submarine cables shall come under the jurisdiction of and be administered by the Board of Transport Commissioners.

Mr. JOHNSTON (*Bow River*): You have definitely stated external submarine cables!

The CHAIRMAN: Shall the amendment carry? Those in favour of this amendment will kindly raise their right hands? It is easier to count them that way.

The clerk counting:

Yes? Three. Opposed? 17.

I declare the amendment lost.

Shall clause 2 carry?

2. This Act shall come into force on a day to be fixed by proclamation of the Governor in Council.

Mr. HAMILTON (*York West*): Before the bill carries, I would like to move, seconded by Mr. Bell, that a further clause 3 be added to the bill reading as follows: (New clause 3):

This part does not apply in respect of a company which is already operating external submarine cables under the authority of an act of the parliament of Canada.

The CHAIRMAN: That would be a new clause.

Mr. HAMILTON (*York West*): Yes, that would be a new clause 3 to this bill.

Mr. JOHNSTON (*Bow River*): Mr. Chairman, may I ask the minister if it was his intention, and did he say a moment ago, that when the bill comes up in the house that he is going to present an amendment to deal with this matter.

Hon. Mr. MARLER: Mr. Chairman, this amendment, in effect, says that this act does not apply to anybody in the cable business. It is a very simple amendment. We might just as well not pass the bill as pass this amendment, except, of course, if somebody at some future time desires to build a cable it would apply to that. In view of that, I would not accept such an amendment, Mr. Chairman, and I doubt if the committee would do so either.

With reference to the question put by Mr. Johnston, the amendment of which I was thinking referred to through traffic, but is not the kind of proposal which Mr. Hamilton has just brought forward.

The CHAIRMAN: Shall the amendment to include an additional clause 3 carry?

Motion defeated. The Clerk counting.

Shall I report the bill?

Mr. HAMILTON (*York West*): No. I think that the bill itself, as I understand it, still has to be called for a vote in connection with the passage of the bill. I would like to say a few words at this stage. I do not intend to compete with the eloquence which we have heard this morning in connection with this situation.

Mr. JOHNSTON (*Bow River*): You are sure going to try.

Mr. HAMILTON (*York West*): I would like to say to the committee that what has impressed me most of all throughout the three days that we have spent dealing with this subject matter has been the fact that we have had to rely on the basis of questions and answers of the minister in connection with what his intentions are.

As a lawyer I say this, that that is the best evidence which I think we can get that here we are handing over something in connection with administration through this act and we have absolutely no idea what the results are going to be.

I would specifically ask each one of you to tell me, after having sat here for this period, what you think the act is going to do and what powers the minister will have. These companies have been in business for, I think, seventy-five years. They have carried on under an act which was passed as far back, in one case, as 1884. From what we have heard they have had the best of relations with, and have submitted every change in connection with their companies' policies to, the department for approval. There has been no evidence whatsoever before us that up to this stage there has been any need for a change.

Now, what has happened? This government is now in a telecommunications business; that is what has happened. This act is specifically designed to ensure that it stays in that business and on an ever increasing scale.

Now, it may be that basically we differ on straight political principles, and it may be that my philosophy is that I do not want the government to be in any business if we can keep it out. But, at the same time, I think that you must realize that the net result of this type of legislation is a penalty on efficiency.

What are we trying to do here? Here is a company which comes along with advantages saying that they want to give the benefit of those advantages to the Canadian people.

What are we saying today? We are saying "No". In fact, if you want an illustration, we are saying the same thing that we are saying in connection with the operations of the C.B.C.—"No, we will take the technical improvements 20 years from now, after we have seen everybody else have the benefit of them". That, in fact, is what is happening here as well.

Mr. Bell has said that these problems are going to increase. Gentlemen, they are. It may be that this is the last opportunity for us to do something about it.

Mr. Chairman, I want to deal with one point, because I know I am going to be confronted with it by the time this bill gets in the house. Someone is going to say, "Yes, you are going to see that a big United States company is favoured in connection with some competition with a Canadian enterprise". I think, sir, that if this were a Canadian private enterprise, working as I know it can, there would be no such problem as we are faced with today. There would have been no need to come into this room. The best thing I can do in connection with maintaining, what I think is proper and fit in circumstances of this kind is to ask the executive vice president of the company whether he is prepared to see that Canadians have the opportunity to take part in his activities. He said he is prepared to consider that, and put it before his board of directors. Now, if we insist on having the government compete, that certainly is the most that we can expect. I honestly do not know how any of us can accept a bill, when we have not got the foggiest idea of what the result will be.

Hon. Mr. MARLER: Mr. Chairman, I think that there is quite obviously a very clear misconception in Mr. Hamilton's mind as to what the purpose of this bill is. Anybody who read it would realize that it does not deal in any way with any refusal, past, present or future under section 22. In fact, if we were to examine what Mr. Hamilton has just said, I think we would find that what he was discussing was the action of the government in dealing with the application of Commercial Cable Company.

Now, that is a very interesting subject, and we have spent a lot of time considering it. But, I think I have made it perfectly clear from the beginning, and I think honourable members of this committee all realize that that is not part of this bill. Mr. Hamilton said, "What are we trying to do?" The answer is: we are establishing a licensing system with regard to the operation of external submarine cables. We are providing for a licensing system so, as I said, we can exercise reasonable control within the terms of the regulations, and within the terms of the act, over cables leaving Canada. I find it very difficult to accept the arguments he has just invoked. I recognize perfectly well his right to think that the government ought to have given favourable consideration to the Commercial Cable Company; but, in my own political experience, I have always found that those who have no responsibility for the decisions are always ready to suggest that the decisions that have been taken should have been taken in some other sense. I know, having lived a fairly long time in opposition, just how easy it is to suggest that what the

government has done is wrong, and that if the honourable gentleman had been there he would have decided differently. I do not really believe that if he had been in my position he would have decided it differently. I recognize to him the right to speak as freely as he does without having to take any responsibility for the consequences of his opinions.

Mr. HAMILTON (York West): Mr. Chairman I would like to say that I have no apologies for not being government-minded and I would like to add one further thing—that I clearly distinguish between the application which was made by the Commercial Cable Company and the ramifications of this bill. That is what has happened many times before. A concrete case has been needed, an excuse has been necessary, and the broadest powers have been handed over to the governor in council.

Mr. BELL: There is one thing I want to say for the record, and that is with respect to the matter of ratification of our international conventions. I said earlier that I was going to deal with this more specifically but the occasion has not been too opportune and perhaps the Shipping Act discussions will provide a better opportunity. I think we should be extremely worried about this question of the people who sign international conventions on behalf of Canada. A treaty or convention is returned to this country and then dealt with in four ways: first, nothing is done about it; second, the governor in council may act on it, and thirdly there is legislative action by the inclusion of the particular treaty or convention in a bill. Fourthly there is the matter of the separate incorporation of that treaty or convention in a statute of Canada. I think that probably the fourth way is the ideal way in which it should be done. But we have had an example here where we do know the causes and effects of these old conventions which were signed on behalf of Canada and I think we should look into this point. I am not a constitutional expert—I do not know anything about it—but I think we should be worried about it because otherwise we might become involved in various legal and international problems before this thing is over, and the problem is increasing.

Mr. NICHOLSON: Before we adjourn—

Hon. Mr. MARLER: There is a motion, I think, that the bill be reported.

Mr. NICHOLSON: Just a word, Mr. Chairman. Mr. Hamilton has raised an interesting point. He is concerned about giving very wide powers to the minister. But I think we have to face the alternative of either giving wide powers to the minister or to an American company which was given a licence to do business in Canada in 1884.

This long brief which we discussed the other day suggested that the minister has not any power—that because this act was passed in 1884, for all time to come the company should be permitted to do anything it wants at any time. I think we have a right to kick out the minister if he takes action which does not stand up against public opinion, and if I have to choose between giving the minister the right to decide what should be done or giving the Commercial Cable Company the right to decide what should be done, I prefer to give the minister that right and reserve to myself the privilege of registering a complaint every year when the minister's estimates come up for discussion and, in due course, of getting rid of the minister and getting someone else who can do a better job.

Hon. Mr. MARLER: An excellent suggestion.

Mr. BELL: Does Mr. Nicholson object to this application because he is a socialist or because he is against an American company?

Mr. NICHOLSON: No, I am not against an American company. I think it is fair Canadian law to establish that anyone who is given permission in 1884 or 1885, or at any time, to do certain things should be required to come before

the Canadian parliament from time to time so that parliament may decide whether it wishes to make any change or not. It would seem to me that since there is a dispute between the minister and this particular company the minister is quite within his rights in saying that the law should be quite clear and that he should have the right to decide what should be done regarding problems which arise from time to time.

Mr. LEBOE: I want to ask the minister a question if I may. I thought I understood him to say that it was as a result of this application that the need for the bill arose.

Hon. Mr. MARLER: I did not say that.

Mr. LEBOE: That was my understanding of what you said yesterday—that it was due to this application that the bill was brought up, because it was presenting certain difficulties.

Hon. Mr. MARLER: The application did raise certain difficulties, but I did not say what you have suggested I said.

The CHAIRMAN: Shall I report the bill without amendment? Agreed.

Mr. HAMILTON (York West): On division.

The CHAIRMAN: Before adjourning I wish to thank the minister and the witnesses from the Commercial Cable Company and the Western Union company.

On Monday we shall meet at 11.30 a.m. to consider Bill 349, the Canada Shipping Act.

APPENDIX I

TO THE HONORABLE THE GOVERNOR IN COUNCIL
OTTAWA, CANADA

Application of

THE COMMERCIAL CABLE COMPANY

For approval of a Proposed Plan of Shore Approaches, Stations, etc. in Canada of a Coaxial Telegraph Cable Between the United States, Canada, Greenland, Iceland and The United Kingdom.

This application is filed pursuant to the provisions of section 22 of Chapter 262 of the Telegraphs Act. R.S., c. 194, s. 1, which provides as follows:

22. The company shall not exercise any of the powers by this Part conferred until

- (a) the company has submitted to the Governor in Council, a plan and survey of the proposed site and location of such telegraph and its approaches at the shore, and of its stations, offices and accommodations on land and all the intended works thereto appertaining,
- (b) such plan, site and location have been approved by the Governor in Council, and
- (c) such conditions as he thinks fit for the public good to impose touching the said telegraph and works, have been complied with. R.S., c. 194, s. 22.

The Applicant, The Commercial Cable Company, has owned and operated for many years a North Atlantic submarine cable system consisting of six cables, extending between the United States and Europe. These cables were landed and are operated on the shores of Canada under authority of an Act of the Parliament of Canada, entitled an Act to Grant Commercial Powers to The Commercial Cable Company, 74, Victoria, Chapter 87, Assented to April 19, 1884, a copy of which Act is hereto attached and designated as Attachment No. 1. (Four of the cables of this system land or touch the shores of Newfoundland for which authority was originally granted by the Newfoundland Government.) Two of the six cables were laid in 1884, one in 1894, one in 1900, one in 1905 and the latest in 1923. The present cable capacity of these cables is limited to 8½ duplex channels. A chart showing Commercial's present trans-Atlantic cable system including the routes and landings of the said cables in Canada is hereto attached as Chart No. 10.

EXISTING FACILITIES INADEQUATE

Over the past seven or eight years there has been a tremendous growth in Leased Wire Service and TWX within the Continental United States which is expected to continue. Presumably, the same degree of increase in these services has been noted within Canada. In the international telegraph field, there has been an increasing demand for Leased (telegraph) Channel Service and Telex Service. This has been substantiated by the number of requests the Applicant has received for such services, and by a survey made of some customers in the United States while plans for this new cable were being considered. Almost without exception all customers interviewed were interested in Telex Service and approximately 50 per cent of the interviewed were also interested in international Leased (cable) Channel Service. In addition to the indicated need for such commercial services, which the Applicant can not presently meet with its existing facilities, there has also developed a substantial

demand for leased cable telegraph channels by Government agencies. The latest survey made in the United States indicates a need and proposed use at the present time of approximately 60 leased duplex telegraph channels in the new cable. Applicant's present cable capacity is limited to $8\frac{1}{2}$ duplex channels. Applicant has made no survey in Canada with respect to the need for additional facilities, but is inclined to believe that the increasing demand as is found in the United States similarly applies in Canada.

In addition to the foregoing, Applicant is in need of additional and more modern cable channels in order that it may improve its service to the public and to the governments of its regular message traffic.

PROPOSED NEW COAXIAL CABLE

Applicant plans to lay a new coaxial cable along the route shown on the attached Chart No. 11, which will extend from Rockport, Massachusetts (USA), via Canada, Greenland, Iceland to the United Kingdom. Details of the various links, particularly with reference to Canada and its waters, are shown in succeeding charts attached hereto. The proposed cable will be approximately 3,500 miles in length and will be constructed of latest design and type known as 0.62" coaxial cable, steel armored, polyethylene insulated, with submarine repeaters spaced approximately 55 miles apart. The repeaters will be of the torpedo type and rigid and will be capable of being operated simultaneously in both directions making it unnecessary to lay two cables. They are to be manufactured by Standard Telephones and Cables, Limited of London (a subsidiary of International Telephone and Telegraph Corporation). The overall cost for the entire project is estimated at approximately \$25,000,000. On current estimates, completion of the laying of the three links between Massachusetts and Greenland is expected by the end of 1956, and the extensions between Greenland through Iceland to Scotland by the end of 1957. The cable will contain 120 teleprinter channels, each operating on a duplex basis at a speed of 60 words per minute in each direction. It is planned initially to terminate 24 60 word per minute duplex, teleprinter channels at Canso, Nova Scotia. Alternatively, telephone, telephoto or facsimile service can be furnished by using the necessary band width of frequencies required for such services.

The proposed cable will provide cable communication for the first time between Canada and Greenland and will provide for the first time direct cable communication between Canada and Iceland as well as direct cable communication between Greenland and Iceland. The route chosen will provide technical operating advantages in the operation of a new cable course remote from certain trawler areas which are hazardous to existing cable routes.

Applicant does not propose to furnish any public telephone service over this cable. However, there is at least one United States Government agency which desires a telephone channel connecting the United States with Canada, Greenland, Iceland and the United Kingdom. Applicant is prepared and willing to furnish such a channel to the United States Government either directly or through the facilities of the operating telephone companies or agencies in the several countries involved.

PROPOSED ROUTE OF CABLE

It is proposed to run the cable from Rockport, Massachusetts (USA), to the Applicant's existing station at Canso, Nova Scotia and thence through the Gut of Canso into the St. Lawrence River and eastwardly to the head of Fortune Bay in Newfoundland, thence across Newfoundland by underground to a location adjacent to Clareville and thence to Smith Sound or alternatively Bonavista Bay to Julianehaab, Greenland, thence to a point on the southwest

coast of Iceland and thence to a point at or near Gairloch on the northwest coast of Scotland. The proposed route, particularly as concerns Canadian territory, is shown in detail on the attached charts.

PROPOSED NEW ACTIVITIES IN CANADA

When the new cable is placed in operation the Applicant proposes to base one of its cable ships at Halifax to provide better maintenance of the cables. It is estimated that this operation will entail an annual expense to Applicant in Canada of about \$800,000. Also it would be necessary for Applicant to acquire hut sites at the head of Fortune Bay and on Bonavista Bay or on Smith Sound if the latter should be chosen instead of the former. Also it will be necessary to acquire a site and build an office in the vicinity of Bonavista Bay landing or the Smith Sound landing and the office will be staffed at this point to the extent possible with Canadian employees. It is estimated that the expenses of the station will be in the neighborhood of \$100,000 per annum.

COST AND FINANCE

The cost of the cable will be approximately \$25,000,000. Financing arrangements have been concluded and necessary funds will be provided by the Metropolitan Life Insurance Company of New York, the International Telephone and Telegraph Corporation, of which this Applicant is a subsidiary, and from Applicant's own working capital. It is intended that the entire cable and associate facilities will be solely owned and operated at all terminals and stations by the Applicant, the Commercial Cable Company.

Wherefore, in view of the foregoing and the information contained in the charts and other attachments herein, it is respectfully requested that the Governor in Council approve the following listed requests:

1. To lay the proposed new cable in Canadian waters along the routes or alternate routes as indicated on the charts in this folder.
2. To acquire beach rights and land necessary for cable huts or manholes and approval to build same at the following points:
 - (a) Portage Cove, Nova Scotia. (See Chart 13)
 - (b) At the head of Fortune Bay. (See Charts 21, 23 and 23A)
 - (c) On the southwest arm of Goose Bay as indicated on Chart 28B.
3. To lay the underground connection for the new cable from Portage Cove cable hut to a point where it joins the present undergrounds of the Company as indicated on Chart 13 and thence following the present undergrounds of the Company through Hazel Hill to the cable hut at Fox Bay as indicated on Chart 13A.
4. To connect as many of the channel facilities at the Company's cable station at Hazel Hill, Nova Scotia as are necessary. Present plans call for the termination of a minimum of 24 duplex teleprinter channels.
5. To lay the cable through, under, over or around the causeway now under construction between Cape Porcupine and Balache Point in a manner that is mutually agreeable to both the Company and the interested Canadian Government, Provincial and local authorities. (Our present thinking is to land a cable near the southern side of the causeway, cross the causeway through a duct and re-enter the Strait of Canso again on the northern side of the causeway). (See Chart 18).
6. To use the same underground route as that to be used for the ATT/ETT/COTC/BPO telephone cable from the head of Fortune Bay to a point in the South Bight of the northwest arm of Random Sound, provided

it is agreeable to all parties concerned. (If the interested parties are agreeable our plan would provide for a separation of approximately seven feet between the underground trenches carrying the Company's proposed new cable and the telephone cable. Our thought is to use the same right-of-way as will be used by the new telephone cable, but not to occupy the same trench, and to enter into an agreement for joint maintenance and construction costs of the underground cable route.) (See Chart 23A).

7. To acquire beach rights and establish a cable operating station as indicated on Chart 28B in the immediate vicinity of Clarenville, Newfoundland, Canada. This would also mean permission to acquire land on which to construct the cable operating station building. Alternatively, the Company would like to have permission to acquire the necessary beach rights and property to build a cable operating station in the vicinity of Muddy Hole at the head of Smith Sound should that location prove to be more desirable, although, in our opinion, the location in the vicinity of Clarenville will be preferable. The location of Muddy Hole is indicated on Chart 28B.

8. To construct an underground route from the site of the proposed cable station as indicated on Chart 28B in the vicinity of Clarenville along the route shown to the cable hut in the southwest arm of Goose Bay.

9. To make such connections in the communications system in Newfoundland as are necessary to provide communication service from the Company's proposed cable station in the vicinity of Clarenville to and from the air bases in Newfoundland, Canada and to and from the Company's office in St. John's, Newfoundland, Canada.

10. To use either the Smith Sound or Bonavista Bay routes for the Julianehaab, Newfoundland section of cable. (See Charts 24, 26, 28, 28A and 28B).

Respectfully submitted,

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